



Skierniewice, 26 April 2022

*Ladies and Gentlemen, Dear Shareholders,*

2021 was the second year to be overshadowed by the coronavirus pandemic and the associated economic consequences. However, it was a very good year for the MIRBUD Capital Group. Sanitary restrictions, which resulted from the occurrence of the third and fourth pandemic wave, admittedly affected the deadlines for obtaining certain administrative decisions, important for the timely execution of individual contracts, yet, this phenomenon was incidental in the MIRBUD CG. During this period, the Group achieved unprecedented financial results of PLN 2.5 billion in revenue, PLN 231.6 million in gross profit on sales and PLN 128 million in net profit. This constitutes an increase over the previous year by respectively: 102, 69 and 120 percent. Achieving such good financial results was possible primarily due to the development of the scale of operations in the area of engineering and building construction.

The engineering and building construction segment remains the dominant one in the activity of the MIRBUD CG. Thanks to maintaining profitability of public utility and road construction contracts and diversification of the order portfolio towards acquiring a significant number of industrial and warehouse construction contracts with short delivery dates, in 2021 MIRBUD S.A., the parent company, generated revenue of PLN 1.74 billion (an increase of 102% y/y) and net profit of PLN 80.35 million (an increase of 314% y/y). Moreover, during that period the Company signed a number of contracts for construction of facilities important not only for local communities (such as the construction of the city stadium in Opole, construction of the Voivodship Ambulance Station in Szczecin, construction of the Court of Appeal building in Wrocław, reconstruction and extension of the Urania sports hall in Olsztyn), but also important for the development of the road infrastructure in the country. In 2021, the Company continued to execute such significant building contracts as the construction of city stadiums in Łódź and Płock, the airport terminal in Radom, as well as extremely important road contracts, such as the construction of an A1 motorway section, two sections of the S1 expressway in the Silesian Voivodeship, or the Olesno bypass within the S11 expressway). In 2021 and the first quarter of 2022, we also signed two contracts for the construction of military infrastructure buildings, which will allow MIRBUD S.A. to develop competence in the execution of contracts in the field of defence and security.

In the discussed period, road infrastructure contracts still had the dominant share in the order portfolio of the MIRBUD Capital Group. In addition to the above contracts executed by MIRBUD S.A. alone or as a consortium leader with its subsidiary KOBYLARNIA S.A., the MIRBUD Capital Group executes eleven more important road infrastructure contracts, where KOBYLARNIA S.A. remains the consortium leader. These are projects such as section of S11 expressway near Koszalin, two sections of S5 expressway near Bydgoszcz, two sections of A18 motorway from Wrocław to the state border towards Berlin, section of the Tri-city Metropolitan Bypass, two sections of voivodship road No. 548 in Kujawsko-Pomorskie Voivodeship, section of the eastern bypass of Wrocław within voivodship road No. 455, section of the



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Poręba and Zawiercie bypass and section of the Gostyń bypass in Wielkopolska.

Owing to the effective acquisition of new road contracts proposed at appropriate margins, the optimisation of construction processes based mainly on our own bitumen production facilities and the efficient execution of the existing contracts, our subsidiary, KOBYLARNIA S.A., generated revenue of PLN 667.9 million and a net profit of PLN 21.1 million last year. This constitutes an increase over the previous year by respectively: 115 and as much as 1132 percent.

In 2021, the MIRBUD CG also achieved good results from development activities. During this period, the subsidiary, JHM DEVELOPMENT, transferred by notarial deeds and disclosed the sale of 393 premises in revenue, and concluded 623 preliminary and developer contracts, which is the best result in the history of this entity. Such high sales made it possible to achieve revenue of PLN 146.7 million and net profit of PLN 16.7 million. This constitutes an increase over the previous year by respectively: 27 and 15 percent.

Among the operational events, the purchase of new investment lands in Poznań, Konin, Skierniewice and, above all, Łódź was undoubtedly a great success. The investment in the last location will allow for the construction of approximately 2,500 residential units in downtown Łódź by 2032.

JHM DEVELOPMENT S.A. started the year 2022 with 397 signed preliminary and development contracts. Such a high level of pre-sales for projects under construction will have a positive impact on the number of units handed over to buyers under these projects after they are commissioned. At the end of 2021, the portfolio of JHM DEVELOPMENT S.A. included a total of 1,326 residential units built within 7 projects currently under construction. A large land bank, development of operations in large urban agglomerations and a rich portfolio of the company will allow it to achieve its goal of selling a thousand apartments a year within the next few years.

One of the effects of reorganisation within the companies of the MIRBUD Capital Group was the transfer and concentration of our activities in the field of commercial real estate leasing in one company, dedicated to this purpose, which is Marywilska 44 Sp. z o.o. This process was completed in the first quarter of 2022 and resulted in the acquisition of properties previously managed by special purpose vehicles - JHM1 Sp. z o.o. and JHM2 Sp. z o.o. As a result of this, Marywilska 44 Sp. z o.o. manages not only the largest shopping centre in Warsaw at ul. Marywilska 44, but also a logistics and warehouse park in Ostróda and retail facilities in Rumia and Starachowice.

In terms of financial results, Marywilska 44 Sp. z o.o. recorded their improvement in relation to 2020, however 2021 was a year when this company mainly focused on regaining the number of visitors to the Marywilska 44 Shopping Centre after two years of collapse caused by successive lockdowns in the economy. At the end of the year, the commercialisation level of the Centre reached 95 percent which should be considered a great success. In the coming years, the company will focus on rebuilding high sales profitability.

In the second half of 2021, increases in the prices of raw materials and construction materials became more and more noticeable. Rising inflation affected the profitability of ongoing contracts, but at the time no one expected prices to rise further in February 2022 as a result of the Russian Federation's military invasion on Ukraine. Galloping inflation, difficulties in the availability of certain raw materials and materials, and further increases in interest rates of the National Bank of Poland will certainly not remain without effect on the profitability of the contracts currently in execution. This phenomenon is particularly acute in the case of long-term public procurement and, above all, road infrastructure contracts. We are currently seeing a slight stabilisation of prices which, however, remain at very high levels. Although the General Directorate for National Roads and Motorways raised the level of indexation of newly announced contracts from 5% to 10% and is in constant contact with the construction industry, it seems that it will be necessary to introduce new legislative solutions in response to the economic consequences of the prolonged state of war beyond our eastern border.

Dear Shareholders, as of the moment of preparing this document the capitalisation of MIRBUD S.A.



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amounts to just over PLN 317 million. At the same time, the MIRBUD CG portfolio holds contracts worth more than PLN 5 billion to be gained by 2025. This fact, as well as the achieved levels of revenue and net profit both by the Group and by MIRBUD S.A. prove that the company's share price is still at an unsatisfactory level. However, I believe that diversification of our operations and appropriate selection of contracts in the order portfolio, as well as consistently implemented dividend policy will contribute to an increased trust of an even greater number of investors in our business model.

In the following year, we will focus on execution of the contracts we already hold using the financial advances paid by the General Directorate for National Roads and Motorways. This source of funding will reduce the need for short-term bank credits whose interest rates are rising rapidly. A decrease in the cost of credit service in the operating costs of the MIRBUD CG will have a positive impact on maintaining the margins of the contracts already held. We will also continue to acquire new contracts, subject to appropriate selection in terms of profitability. Our goal is to maintain the size of our order portfolio above PLN 5 billion and the efficient and timely execution of contracts. 2022 will bring financial results which, in terms of revenue, will be at least comparable to those in 2021, and an expected reduction in profitability of some contracts. Maintaining the highest possible profitability of the Group will remain an ambitious task. In the medium and long term, we consistently strive to strengthen our position among the largest construction companies in the country, proudly representing Polish companies in this group.

Ladies and Gentlemen, on behalf of myself and of the management boards of the MIRBUD Capital Group companies, I would like to thank you for the trust you place in us and I wish you only good investment decisions, made after thorough fundamental analysis of the companies, and not under the influence of emotions. I hereby invite you to read the attached reports in detail.

Yours faithfully,

*Jerzy Mirgos*

President of the Management Board  
of MIRBUD S.A.



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