

# MIRBUD GROUP

## REPORT OF THE MANAGEMENT BOARD ON THE

COVERING THE PERIOD FROM 01 JANUARY 2021 TO 31 DECEMBER 2021



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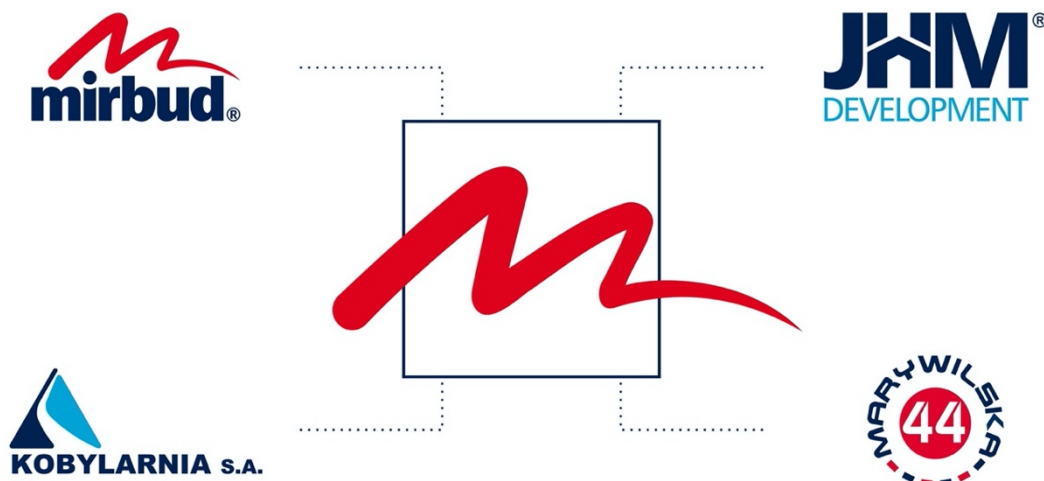
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## 1. PRINCIPLES FOR PREPARATION OF FINANCIAL STATEMENTS



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

The consolidated financial statements were drawn up on the assumption of continuation of business activities by MIRBUD S.A. and the companies belonging to the Capital Group in the foreseeable future. As of the day of these financial statements’ approval there are no circumstances indicating a threat to the continuation of the Group’s Companies’ activities.



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

The accounting policies adopted in the preparation of the financial statements have been presented in detail in the introduction to the financial statements for the period from 01/01/2021 to 31/12/2021.

## 2. ACTIVITIES OF THE MIRBUD CAPITAL GROUP

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

The MIRBUD Capital Group employs 1000 employees, including highly qualified engineering staff with various specialisations in the construction industry. The Company's advantage is also a well-developed machine park which ensures performance of most of the work on the basis of its own facilities.

Since 2008, **MIRBUD S.A.** has been successively building a stable Capital Group with a diversified range of activities. JHM DEVELOPMENT S.A. carries out investment tasks in the field of housing construction in a development system, while KOBYLARNIA S.A., a company located in Kobylarnia near Bydgoszcz, extends the scope of the Group's activities by road and bridge works, as well as the production of bituminous masses.

Moreover, the MIRBUD Capital Group includes MARYWILSKA 44 Sp. z o.o., the owner and manager of the largest shopping centre in Warsaw. Starting from 2021, the company is also the owner and manager of the Warehouse and Logistics Park in Ostróda as well as retail facilities in Starachowice and Rumia. MARYWILSKA 44 Sp. z o.o. has been appointed as the managing entity for all commercial properties owned by the MIRBUD Capital Group.

In November 2017 the Management Board of MIRBUD S.A. made a decision concerning the establishment of a sole proprietorship company under the name of: МІРБУД Limited liability company (abbreviated name: ТОВ «МІРБУД») with its registered office in Kyiv. The company was registered on 25 January 2018. Currently, the company has no operations in Ukraine.

**MIRBUD S.A.** is the parent company and prepares consolidated financial statements which include statements of the parent company and subsidiaries - JHM DEVELOPMENT S.A., KOBYLARNIA S.A. and MARYWILSKA 44 Sp. z o.o.

## Basic data of the parent company

**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. The Company is established for indefinite term.



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

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

On 03/10/2011, the District Court in Bydgoszcz, 13th Commercial Division of the National Court Register entered the transformation of Przedsiębiorstwo Budowy Dróg i Mostów Spółki z o.o. [Road and Bridge Construction Enterprise] – a subsidiary of MIRBUD S.A., into Przedsiębiorstwo Budowy Dróg i Mostów KOBYLARNIA S.A. [Construction Company For Roads and Bridges KOBYLARNIA S.A.] to the Register of Entrepreneurs of the National Court Register, under the KRS number 0000396760 On 01/07/2020, the name of the Company was changed. Since that date, the Company has operated under the following business name: Kobyłarnia Spółka Akcyjna.



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

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

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



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

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

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

In 2021, as a result of issuing 1,565,000 new shares by MARYWILSKA 44 Sp. z o.o. with a nominal value of PLN 78,250 thousand and their acquisition by MIRBUD S.A., the share of JHM DEVELOPMENT S.A. in the share capital of MARYWILSKA 44 Sp. z o.o. declined to 46.12%. As a result, as of 01/07/2021, JHM DEVELOPMENT S.A. lost control over MARYWILSKA 44, while MIRBUD S.A. took direct control over that entity.





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

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

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

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

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

The Company was established on 16/02/2012 based on the notarial deed Repertory "A" No. 785/2012. The Company was entered in the National Court Register kept by the District Court for Łódź-Śródmieście in Łódź, 20th Commercial Division of the National Court Register, under the KRS number 0000415335, on 22/03/2012. The commercial property in Starachowice previously owned by the Company is currently managed by MARYWILSKA 44 Sp. z o.o. With effect from 1 February 2022, the Extraordinary Meeting of Shareholders of the Company adopted a resolution to put JHM 2 Sp. z o.o. into liquidation. From this date, the company is named JHM 2 Sp. z o.o. w likwidacji. Liquidation of the subsidiary, JHM 2 Sp. z o.o., is part of the process of reorganisation of the MIRBUD Capital Group, about which the Issuer informed in Current Reports No. 36/2020 and 41/2021.

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

### Subsidiary of MIRBUD S.A. - ТОВ «МІРБУД»

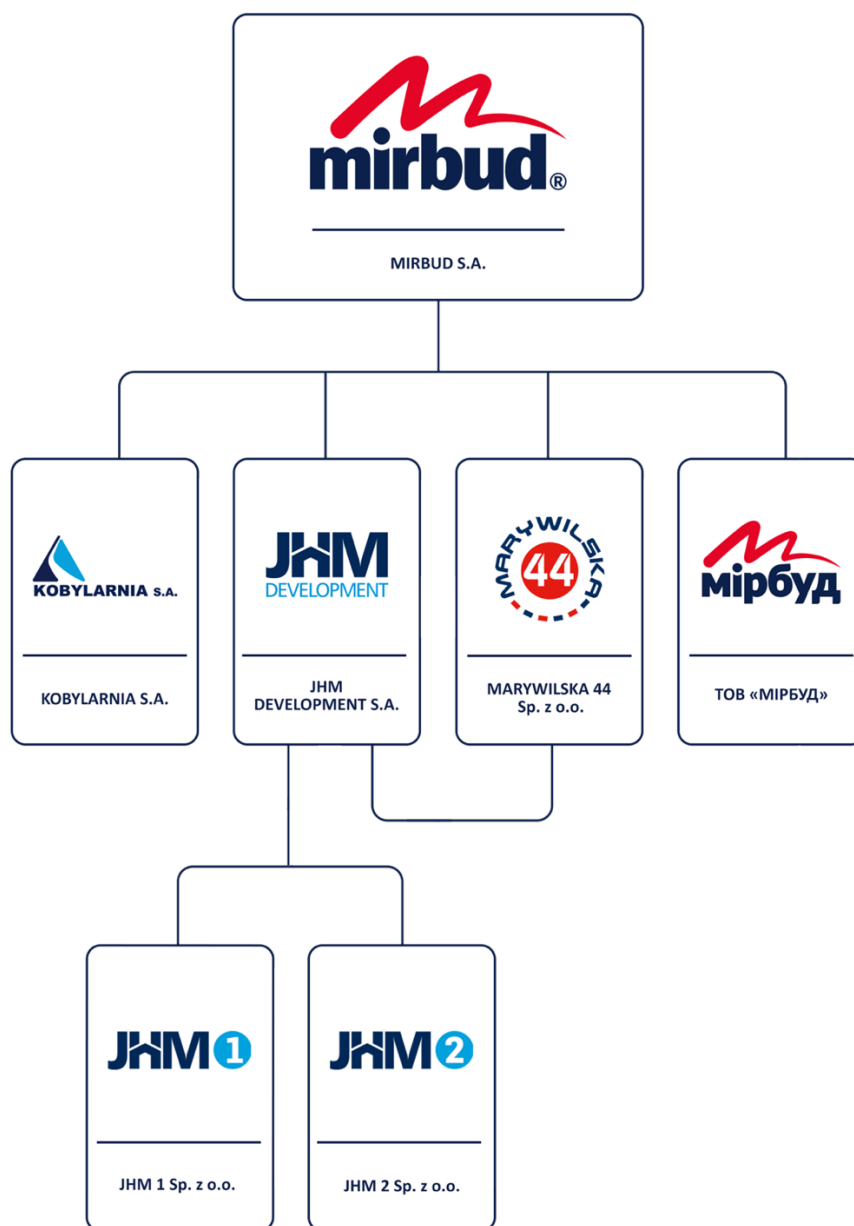
The ТОВ «МІРБУД» Company was entered into the Uniform National Register of Enterprises and Organisations of Ukraine on 25 January 2018 under number 41887344.

The Company conducts business activities in Ukraine in the area of, among others, construction of residential and non-residential buildings, construction of roads, performance of specialist construction works, finishing and architectural works. Currently, the Company has no active operations in Ukraine.



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

Diagram: The MIRBUD Capital Group structure as at 31/12/2021



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

Table: Structure of shares of MIRBUD S.A. in subsidiaries as at 31/12/2021

Name of the entity	Share capital	Share of MIRBUD S.A. in the share capital
<b>JHM DEVELOPMENT S.A.</b>	PLN 173,000,000	<b>100%</b>
<b>KOBYLARNIA S.A.</b>	PLN 30,000,000	<b>100%</b>
<b>MARYWILSKA 44 Sp. z o.o.</b>	PLN 148,250,000	<b>53.88%</b>

ТОВ «МІРБУД»

UAH 2,377,752.81

100%

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

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

These funds are intended to cover the purchase of properties situated in Ostróda at ul. Grunwaldzka 55. As part of the purchased property, the Company intends to carry out its activity consisting in the lease of space for storage purposes.

The share capital increase was registered in the National Court Register on 10/06/2021 in an incorrect manner, inconsistently with the Company's request and the actual state of affairs regarding the amount of the share capital, the amount of capital contributed by individual shareholders. Following the Court's correction, the Company's share capital amounts to PLN 148,250,000.00. This value consists of:

- **1,565,000 shares with a nominal value of PLN 50 each**, making a total of PLN 78,250,000 - shares owned by MIRBUD S.A. Share of MIRBUD S.A. in the Company's share capital will be: 53.88%.
- **1,339,800 shares with a nominal value of PLN 50 each**, making a total of PLN 66,990,000 - shares owned by JHM DEVELOPMENT S.A. Share of JHM DEVELOPMENT S.A. in the Company's share capital will be: 46.12%.

The difference in the value of the shares results from the redemption of shares with a nominal value of PLN 3,010,000.00 thousand.

On 17 November 2021, the Extraordinary Meeting of Shareholders of Marywilaska 44 Sp. z o. o. adopted a resolution concerning:

- reduction of the Company's share capital to PLN 145,240,000, i.e. by PLN 3,010,000, which corresponds to the value of the aforementioned redeemed shares;

- and then increasing the Company's share capital to PLN 157,500,000, i.e. by PLN 12,260,000, through the creation of 245,200 new shares with a nominal value of PLN 50 each. The newly issued shares were fully paid up in cash in the amount of PLN 24,520,000, with the surplus over the nominal value of the shares, i.e. PLN 12,260,000, being transferred in full to the Company's share capital. The new shares were acquired entirely by MIRBUD S.A. The capital for the capital increase was fully contributed and an application was submitted on 28 December 2022 to register the above-described capital increase. As at the date of publication of this report, the Issuer has not received a court decision on the capital increase. The funds from the capital increase were used to purchase retail and service properties located in Starachowice and Rumia, respectively, from MIRBUD Capital Group entities.

The share capital of ТОВ «МІРБУД» is UAH 2,377,752.81 (according to the average exchange rate of the National Bank of Poland as at 31/12/2021, PLN 353,571.84). The sole partner of the company is MIRBUD S.A.

The entity is not consolidated due to its immaterial character.

Table: Structure of shares of JHM DEVELOPMENT S.A. in subsidiaries and related entities as at 31/12/2021

Name of the entity	Share capital	Nominal value of shares	Share of JHM DEVELOPMENT S.A. in the share capital
MARYWILSKA 44 Spółka z o.o.	PLN 145,240,000	*PLN 66,990,000	46.12%
JHM 1 Spółka z o.o.	PLN 9,001,000	PLN 9,001,000	100.0%
JHM 2 Spółka z o.o.	PLN 10,300,000	PLN 10,300	100.0%

\*The difference in the value of the shares results from the redemption of shares with a nominal value of PLN 3,010,000.00 thousand

## Core activities

### MIRBUD S.A.



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

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

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

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

- general construction and civil engineering;
- freight transport by road;
- 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.

## KOBYLARNIA S.A.



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

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

The company provides services also in the scope of leasing construction equipment and specialised means of transport.

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

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

## JHM DEVELOPMENT S.A.



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

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

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



## MARYWILSKA 44 Sp. z o.o.



Marywilka 44 Sp. z o.o., as a subsidiary of JHM DEVELOPMENT S.A., is the owner and manager of the largest shopping centre within the capital city of Warsaw and a warehouse and logistics hall centre with an area of nearly 58 thousand square metres located in Ostróda near the S7 expressway.

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

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

According to the Polish Classification of Businesses, the core activity of the subsidiary **JHM 1 Sp. z o.o.** is:

- lease and management of own or leased property.

Currently, the Company has no active operations. As a result of the sale of the Company's assets to MARYWILSKA 44 sp. z o.o., the management of the commercial property in Rumia previously owned by the Company was taken over by MARYWILSKA 44 Sp. z o.o. in 2021.

According to the Polish Classification of Businesses, the core activity of the subsidiary **JHM 2 Sp. z o.o.** is:

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

Currently, the Company has no active operations. As a result of the sale of the Company's assets to MARYWILSKA 44 sp. z o.o., the management of the commercial property in Rumia previously owned by the Company was taken over by MARYWILSKA 44 Sp. z o.o. in 2021.

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

EXPO MAZURY S.A. w likwidacji, in connection with the sale of real property to Marywilska 44, ceased to conduct operations in the first half of 2021. On 19 November 2021, the Issuer received information from the liquidator of EXPO MAZURY S.A. w likwidacji about issuing a decision by the District Court in Olsztyn, 8th Commercial Division of the National Court Register on removing the Company from the Register of Entrepreneurs.

## ТОВ «МІРБУД»

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

- general construction and civil engineering.

The Company was established for the purpose of conducting business activity in Ukraine. The Company analysed the market potential, participated in tenders and recognised the possibility of establishing cooperation with potential subcontractors and suppliers of materials for works carried out in Poland and Ukraine. At present, due to the military conflict, the Company's operations are suspended. It is not subject to consolidation, as MIRBUD S.A. does not exert any significant influence on the activity of this Company. The Company had no active operations in Ukraine in 2021.

Figure: Geographical structure of the MIRBUD Capital Group in Poland.



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

#### 3.1. Discussion of selected items of the consolidated financial statements of the MIRBUD Capital Group as at 31/12/2021 and 31/12/2020.

Table: Selected items of the Group's assets as at 31 December 2021 and 31 December 2020 in PLN thousand.

Specification	31/12/2021	% share in total assets	31/12/2020	% share in total assets	Change in PLN thousand	Change in %
<b>Fixed assets, including:</b>	<b>714,745</b>	<b>35%</b>	<b>677,902</b>	<b>44%</b>	<b>36,843</b>	<b>5%</b>
Property, plant and equipment	152,997	7%	216,996	14%	-63,999	-29%
Investment property	506,252	25%	422,346	27%	83,906	0%
Intangible assets	5,822	0%	6,303	0%	-481	-8%
Long-term financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents)	10,439	1%	548	0%	9,891	1,805%
Investments measured using the equity method		0%	0	0%	-	0%
Long-term trading and other receivables	6,009	0%	9,589	1%	-3,580	-37%
biological assets		0%	0	0%	-	0%
Deferred income tax assets	33,226	2%	21,829	1%	11,397	52%
Other fixed assets not elsewhere classified (including prepayments and accruals)		0%	291	0%	-291	-100%
<b>Current assets, including:</b>	<b>1,325,860</b>	<b>65%</b>	<b>861,227</b>	<b>56%</b>	<b>464,633</b>	<b>54%</b>
Inventories	316,155	15%	282,823	18%	33,332	12%
Receivables on account of the income tax		0%	0	0%	-	0%
Trading receivables and other receivables	501,856	25%	287,503	19%	214,353	75%
Short-term financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents)	40,073	2%	0	0%	40,073	40,070,300 %
Cash and cash equivalents	467,776	23%	288,997	19%	178,779	62%
Other current assets n.e.c.		0%	1,904	0%	-1,904	-100%
fixed assets held for sale		0%	0	0%	0	0
<b>Total assets</b>	<b>2,040,605</b>	<b>100%</b>	<b>1,539,129</b>	<b>100%</b>	<b>501,476</b>	<b>33%</b>

As at 31/12/2021, compared to the end of 2020, the value of the balance sheet total and the structure of assets of the MIRBUD Group changed.

Current assets which, as at 31/12/2021, comprise 65% of the Group's total assets (increase in the share of current assets in the balance sheet total by 9 p.p. compared to the end of 2020) constitute the dominating value.

The following remain significant items of current assets: trade receivables and other receivables accounting for 25% of total assets (an increase in the share of total assets by 6 p.p. compared to 2020), inventories (mainly land and residential premises at JHM DEVELOPMENT S.A.), whose share in total assets decreased by 3 p.p. compared to 2020 and accounts for 15% of total assets, and cash and cash equivalents accounting for 23% of the Group's assets (an increase of share in the Group's assets by 4 p.p.).

As at 31/12/2021, fixed assets constitute 35% of the total assets of the MIRBUD Group (a decrease by 9 p.p. compared to the end of 2020).

Fixed assets comprise mainly property, plant and equipment constituting 7% of the assets (a decrease in the balance sheet total by 7 p.p.) and investment property (which constitute mainly property of Centrum Targowe [Market Centre] Marywilska 44, NOMI market and Shopping Centre together with Biedronka in Rumia and warehouse and logistics facilities in Ostróda constituting 25% of the total assets (a decrease in the share by 2 p.p. compared to 2020).

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

- purchase of means of transport and machinery and equipment for the amount of over PLN 12 million by MIRBUD S.A.;
- purchase of means of transport and machinery for the total amount of PLN 11.3 million by KOBYLARNIA S.A.;
- transaction of purchase in February 2021 by Marywilska 44 sp. z o.o. from EXPO MAZURY S.A. w likwidacji of 2 parts of property located in Ostróda; previously recognised as fixed assets, but qualified due to the use by Marywilska 44 sp. z o.o. as investment property (increase in value of investment property by PLN 80 million);
- purchase of shares of HAKAMORE sp. z o.o. w upadłości for the amount of PLN 10 million (long-term financial assets) by JHM DEVELOPMENT S.A.;
- purchase of bonds issued and not repaid on maturity by HAKAMORE Sp. z o.o. w upadłości with its registered office in Warsaw for PLN 40 million (short-term financial assets) by JHM DEVELOPEMENT S.A.;
- an increase of PLN 50.0 million in the inventories of JHM DEVELOPMENT S.A., mainly due to the purchase of land properties for future property development investments (i.a. plots of land in Poznań);
- MIRBUD S.A. and KOBYLARNIA S.A. receiving and partially settling advances received for execution of road contracts, including construction of a part of the S1 expressway, so-called Węgierska Górka bypass, construction of a part of the A1 motorway; construction of the A18 motorway, section 2, construction of Poręba and Zawiercie bypass, design and construction of S11 Koszalin-Szczecinek (the amount of advances not settled is PLN 282 million);
- an increase in trade receivables caused by the doubling of the scale of operations in the construction and assembly segment (large road projects entering the advanced stage of execution).

*Table: Selected items of liabilities as at 31 December 2021 and 31 December 2020 in PLN thousand.*

Specification	31/12/2021	% share in total liabilities	31/12/2020	% share in total liabilities	Change in PLN thousand	Change in %
<b>Equity</b>	<b>582,281</b>	<b>29%</b>	<b>461,609</b>	<b>30%</b>	<b>120,672</b>	<b>26%</b>
Issued share capital	9,174	0%	9,174	1%	0	0%
Profit (loss) attributable to owners of the entity	128,010	6%	58,193	4%	69,817	120%
Other capitals	445,097	22%	394,242	26%	50,855	13%
Equity attributable to non-controlling shares	0	0%	0	0%	0	0!
<b>Long-term liabilities and provisions for liabilities</b>	<b>668,359</b>	<b>33%</b>	<b>605,819</b>	<b>39%</b>	<b>62,540</b>	<b>10%</b>
- Provisions under deferred income tax	22,826	1%	24,307	2%	-1,481	-6%
- other provisions for long-term liabilities	6,134	0%	4,384	0%	1,750	40%
- long-term financial liabilities for trading liabilities and other liabilities	366,721	18%	293,551	19%	73,170	25%
- long-term trading and other liabilities	272,678	13%	283,577	18%	-10,899	-4%
- other long-term liabilities and provisions n.e.c.		0%		0%	0	0%
<b>Short-term liabilities and provisions for liabilities</b>	<b>789,965</b>	<b>39%</b>	<b>471,701</b>	<b>31%</b>	<b>318,264</b>	<b>67%</b>
- Provisions for short-term liabilities	5,497	0%	7,390	0%	-1,893	-26%
- short-term financial liabilities, except for provisions, trading liabilities and other liabilities	90,391	4%	79,244	5%	11,147	14%
- trade and other liabilities	673,288	33%	359,071	23%	314,217	88%
- liabilities under deferred income tax	19,662	1%	16,142	1%	3,520	22%
other long-term liabilities and provisions n.e.c.	1,127	0%	9,854	1%	-8,727	0%
Liabilities directly related to fixed assets classified as held for sale	0	0%	0	0%	0	0%
<b>Total liabilities</b>	<b>2,040,605</b>	<b>100%</b>	<b>1,539,129</b>	<b>100%</b>	<b>501,476</b>	<b>32.6%</b>

The structure of liabilities did not change significantly in 2021. The activity of the MIRBUD Capital Group is financed in 29% from own funds, and in 71% from external capital. The share of long-term liabilities in financing amounted to 33% (a decrease in the share by 6 p.p. compared to 2020), while the share of short-term liabilities increased by 8 p.p. compared to 2020 and stood at 39%.

The change in the structure of liabilities resulted mainly from:

- payments made by MIRBUD S.A. to MARYWILSKA 44 sp. z o.o. to increase the share capital in the total amount of PLN 104.5 million;
- payment of PLN 62 million by EXPO MAZURY S.A. w likwidacji to MIRBUD S.A. to return part of the contributed capital to the shareholders;
- partial repayment of a loan in ARP S.A.;
- partial repayment of long-term credits;
- repayment in full of the long-term credit from Alior bank S.A. by EXPO MAZURY w likwidacji S.A. in the amount of PLN 17.6 million;
- purchase of leased machinery and equipment and means of transport by MIRBUD S.A. and KOBYLARNIA S.A. for a total of approx. PLN 23 million - increase in long-term and short-term financial liabilities;
- successive settlement by MIRBUD S.A. and KOBYLARNIA S.A. of advances received from the General Directorate for National Roads and Motorways for execution of road contracts (balance of not settled advances - PLN 282 million);
- an increase in trade liabilities caused by the doubling of the scale of operations in the construction and assembly segment (large road projects entering the advanced stage of execution);
- maturity in 2022 of working capital facilities taken by MIRBUD S.A. at PKO BP, PEKAO S.A., BOŚ S.A., mBank S.A. for approx. PLN 60 million (the Company plans to roll over the liabilities for subsequent 24-month periods).

Table: Selected items of the Group's statements of comprehensive income for the period from 01/01/2021 to 31/12/2021 and 01/01/2020 to 31/12/2020 in PLN thousand

Specification	Period from 01/01/2021 to 31/12/2021	Profitability	Period from 01/01/2020 to 31/12/2020	Profitability	Change in PLN thousand	Change in %
<b>Sales revenue</b>	2,505,568	-----	1,242,903	-----	1,262,665	102%
<b>Profit from sales</b>	231,600	9.24%	137,306	11.05%	94,294	69%
<b>Operating profit EBIT</b>	174,474	6.96%	84,409	6.79%	90,065	107%
<b>Pre-tax profit</b>	156,057	6.23%	70,273	5.65%	85,784	122%
<b>Net profit</b>	128,010	5.11%	58,193	4.68%	69,817	120%

In 2021, the MIRBUD Group achieved revenue 102% higher than in the same period of 2020, which was mainly due to a significant increase in sales revenue from construction and assembly activities especially in the engineering and road works segment and the industrial and service building segment. Profitability on sales in this period decreased by 1.8 p.p. compared to 2020, while net profitability was 0.43 p.p. higher than in 2020.

The sales result level was significantly affected by the change in the recognition by MARYWILSKA 44 sp. z o.o. of the settlement of costs relating to long-term lease agreements for land located in Warsaw at ul. Marywilka. From the beginning of 2021, the Company recognises costs arising from these contracts in accordance with IFRS 16 "Leasing". Thus, until the end of 2020, all fees under these contracts (lease costs) were recognised in core operating expenses. From the beginning of 2021,

payments under these contracts are classified as costs of other operating activities (in the part represented by the value of revaluation write-downs of investment properties - leased properties are classified as investment properties) and as financial costs (in the part concerning the interest part of the lease instalment). Accordingly, since the first half of the year, expenses related to lease contracts have not been charged to the result on sales, but only affect the operating result and lower items of the profit and loss account. Assuming the methodology of profitability calculation applied by Marywilska 44 sp. z o.o. for the previous period, the total profitability of the MIRBUD Capital Group for 2021 would be 8.7%

The Group Companies achieved a positive financial result generated mainly on the basis of newly executed contracts, as well as increasing sales and profitability from development activities. The Group's profitability level was significantly affected by the negative profitability in the retail space lease segment.

The profitability of the Group's Companies in 2021 was influenced by the following factors:

- decline in profitability of road contracts;
- decline in profitability in the segment of production and service buildings which resulted from a loss incurred in 2021 on a single contract for the construction of a logistics hall in Września near Poznań for vidaXL;
- decline in profitability of JHM DEVELOPMENT S.A.;
- partial settlement of the subsidy received for the construction of the facility in the amount of approx. PLN 9.4 million (in connection with the sale of the second part of property in Ostróda);
- increase in profitability of MARYWILSKA 44 Sp. z o.o. in the second half of 2021 resulting from a change in recognition of lease costs (as described above) and the lifting of COVID restrictions in Poland which enabled returning to contractual lease rates for lessees of the MARYWILSKA 44 Shopping Centre;
- subsidies received by Marywilska 44 Sp. z o.o. in connection with the COVID-19 pandemic resulting from a reduction in rent for the lease of land property located in Warsaw, at ul. Marywilska.

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

The management of the MIRBUD Group's financial resources assumes basing the Group's financing structure on long-term sources of financing. The Group Companies finance their operations in 72% based on foreign capital through:

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

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

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

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

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

In the coming years the Group's strategy provides for a further gradual exchange of short-term debt financing individual construction contracts for long-term debt financing with particular consideration of advances from the Contracting Authority for infrastructural contracts and for a gradual reduction of debt in the long-term perspective.

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

Table: MIRBUD Group debt ratios

Specification	31/12/2021	31/12/2020
<b>Total debt ratio</b> <i>Total liabilities / Assets</i>	<b>0.71</b>	<b>0.70</b>
<b>Long-term debt ratio</b> <i>Long-term liabilities / Assets</i>	<b>0.33</b>	<b>0.39</b>
<b>Short-term debt ratio</b> <i>Short-term liabilities / Assets</i>	<b>0.39</b>	<b>0.31</b>
<b>Debt to equity ratio</b> <i>Liabilities / Equity</i>	<b>2.50</b>	<b>2.33</b>

In the reporting period, the level of debt increase by 1% and its structure changed (the share of long-term debt decreased by 6 p.p. and the share of short-term debt increased), which was the result of:

- purchase of leased machinery and equipment and means of transport by MIRBUD S.A. and KOBYLARNIA S.A. for approx. PLN 23.3 million - increase in long-term and short-term financial liabilities;
- an increase in trade liabilities caused by the doubling of the scale of operations in the construction and assembly segment (large road projects entering the advanced stage of execution);
- JHM DEVELOPEMENT issuing E series bonds;
- maturity in 2022 of working capital facilities taken by MIRBUD S.A. at PKO BP, PEKAO S.A., BOŚ S.A., mBank S.A. for approx. PLN 60 million (the Company plans to roll over the liabilities for subsequent 24-month periods);
- an increase in trade liabilities caused by the doubling of the scale of operations (large road projects entering the advanced stage of execution);
- changes in market conditions for the supply of materials forcing early payment or advances, which resulted in increased use of available working capital credits.

It should be noted that as at 31/12/2021, taking into account the cash balance, both the Issuer and the Capital Group have no net debt.

The Group's debt level and structure in the perspective of 2022 will be influenced by the scale of new development investments (e.g. investments in Bydgoszcz, Łódź or Zakopane) and the implemented strategy of financing large road contracts with advances from the Contracting Authority.



Table: Company liquidity ratios

Specification	31/12/2021	31/12/2020
<b>Current liquidity ratio</b>		
<b>Current assets / Short-term liabilities</b>	<b>1.68</b>	<b>1.83</b>
<b>Accelerated liquidity ratio</b>		
<b>(Current assets - Inventories - Short-term prepayments)/Current liabilities</b>	<b>1.28</b>	<b>1.20</b>
<b>Cash liquidity ratio</b>		
<b>Cash / Short-term liabilities</b>	<b>0.59</b>	<b>0.61</b>

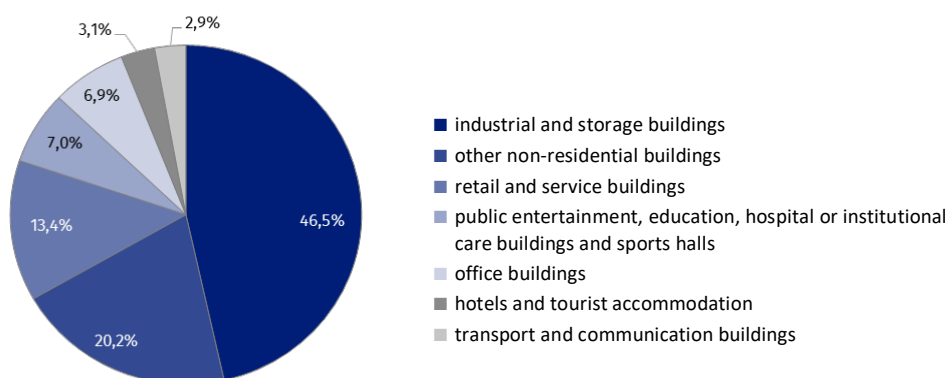
As at 31/12/2021, the MIRBUD Capital Group maintained a high current liquidity level.

## 4. ACTIVITIES OF THE MIRBUD CAPITAL GROUP AND PROSPECTS FOR DEVELOPMENT

### 4.1. Specificity of the market

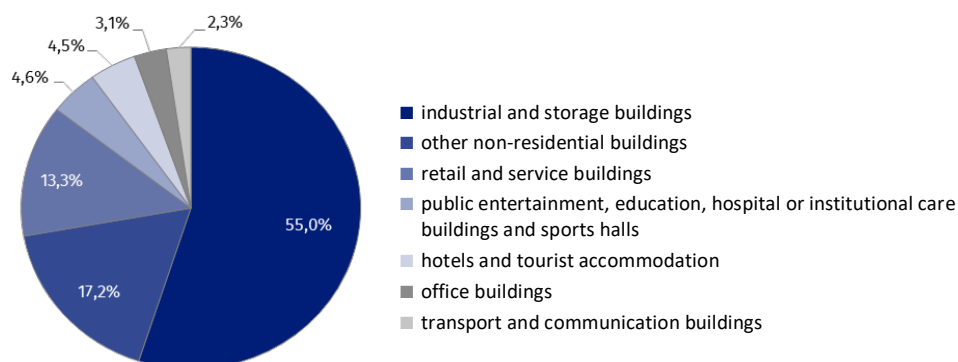
According to the Central Statistical Office, 22,500 new non-residential buildings with a total area of over 14 million sq.m. were commissioned in 2021. This is 8.4% less compared to the previous year. In terms of area handed over for construction, industrial and warehouse buildings constituted the largest portion (46.5%), followed by other non-residential buildings (20.2%) and public entertainment, education and sports facilities (13.4%).

Chart: Structure of usable area of non-residential buildings put into operation in 2021 (prepared by the Central Statistical Office)



At the same time, in 2021, permits were issued for the construction of 35,000 non-residential buildings with a total usable area of 20.4 million sq.m. which is 27% higher than the previous year.

Chart: Structure of usable area of new non-residential buildings for which permits were issued in 2021 (prepared by the Central Statistical Office)



The share of permits issued for construction of industrial and warehouse buildings rose to 55% during this time. It should also be noted that the share of permits issued for the construction of entertainment, education and sports facilities decreased significantly in the reviewed period. The above figures indicate a growing demand for the construction of warehouse and industrial buildings, with decreasing demand for public utility buildings. This state of affairs is due to changes in the structure of the construction market caused by the outbreak of the COVID-19 coronavirus pandemic, the withholding of EU funds

from the National Reconstruction Plan, and the consequent halting or scaling back of investment plans by public investors, mainly local governments.

When analysing the potential of the industrial construction market, especially the warehousing market, attention should be paid to the indicators of warehouse space built but not leased. According to data collected by Colliers, the vacant area rate in the warehousing market nationwide was 3.8% at the end of 2021 which constituted a decline of 2.8 p.p. compared to the same period in the previous year. Throughout 2021, developers of warehouse and logistics areas completed projects with a total area of approx. 3.1 million sq.m., the highest annual result for this market in Poland. 2021 was also a record year for the volume of warehouse area under construction. By the end of Q4, it was up to 4.2 million sq.m. The largest portion of such area is being built in the Upper Silesia region (706.8 thousand sq.m.).

The residential construction market in Poland continued its upward trend in 2021. During this period, 234.9 thousand residential units with a total usable area of 21.8 million sq.m. were put into use. This is a 6.4% higher value compared to 2020. On the other hand, in terms of the number of residential buildings put into use in 2021, the value was 109.2 thousand new buildings, i.e. 17.8% more compared to 2020.

The supply of residential units in the construction market in the coming quarters is primarily affected by the number of building permits issued. In 2021, such decisions were issued or notifications with a construction design were made for the construction of 341,200 residential units, i.e. 65,100 units (23.6%) more than the year before. At the same time, construction started on 277,400 residential units, i.e. 53,600 units (23.9%) more than the year before.

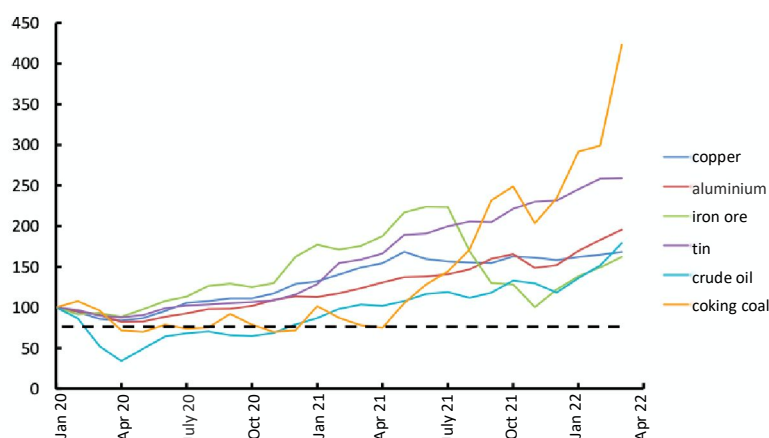
The above data indicates a revival of the construction market in Poland, mainly in the area of residential and industrial construction. However, it should be noted that in the last quarter of 2021, as a result of sharp increases in the prices of raw materials and construction materials, the construction market in Poland experienced a cool-down.

The infrastructure construction market in Poland is strongly correlated with the government's plans to develop a network of national roads and motorways. In 2021, the General Directorate for National Roads and Motorways announced tenders for 27 sections with a total length of approx. 334 km and a value of over PLN 15 billion. 25 of these tasks with a total road length of more than 335 km are tasks under the National Road Construction Plan, while two of them are under the 100 Bypasses Construction Programme for 2020-2030. At that time, 46 contracts were signed for the construction of roads with a total length of 555 km and a value of 16.8 billion PLN. At the end of the year, a total of 109 road tasks of the General Directorate for National Roads and Motorways were at the execution stage.

Road contracts are characterised by long lead times. It often takes 4 to 6 years, starting from the announcement of a tender procedure, through selection of a contractor and signing of a contract with them, then at least one year's period of designing and obtaining decisions on permission for the execution of a road project (for contracts in the Design-Build formula), and then until the completion of construction works. At this time, prices of basic construction materials and raw materials fluctuate which creates huge risks for contractors who are forced to face the execution of contracts often in different price realities than those assumed when submitting the bid. To mitigate the risk of loss of profitability of contracts in 2019 (starting with all contracts concluded after 21 January 2019), an adjustment mechanism of (+/-) 5% of the contract value was introduced. This mechanism is based on the Central Statistical Office (CSO) indexation basket, which consists of the main price elements influencing the final cost balance of the contract, and these are the prices of fuel, cement, asphalt, steel, aggregate and average wages of industry employees. The mechanism introduced applies to general contractors as well as their subcontractors.

In the second half of 2021, the impact of rising prices of basic raw materials used in the construction industry was becoming increasingly noticeable. The Polish Association of Construction Employers, together with the Polish National Economic Chamber of Road Construction, has developed a market analysis for road construction costs compared to 2020 until the state of war in Ukraine in the first quarter of 2022. This analysis shows that the prices of raw materials such as crude oil, iron ore and coking coal, among others, were 50% higher in January 2022, and in the case of coal by as much as 200% compared to January 2021. The increase in raw material prices translated directly into prices of construction materials in almost all ranges.

Chart: Prices of raw materials used in the construction industry [I 2020 = 100] (source: The Polish Association of Construction Employers compilation based on FRED, LME, SpotData, TradinView and Plastics Information Europe)

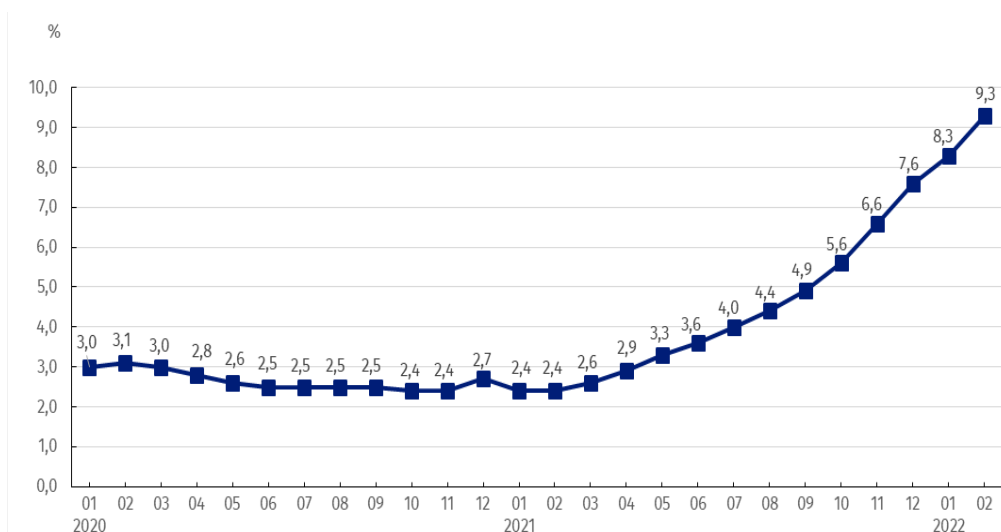


Faced with rising prices for raw materials and construction materials as of the end of 2021, many general contractors have held off on contracting these materials for the future believing that they are on a so-called price peak. At the time, it was not expected that these prices could still rise dramatically due to the beginning of war in Ukraine.

As a consequence of the price increase in 2021, the Ministry of Infrastructure has decided to increase the indexation rate of road contracts to (+/-) 10%. This change applies to all tenders announced under the Design-Build system beginning in January 2022. It should be noted here that the indexation mechanism includes the so-called half-and-half risk. This means that one half of the risk associated with increased contract execution costs is assumed by the contractors, and the other half by the contracting authority (General Directorate for National Roads and Motorways). Thus, 50 percent of the contract value was assumed to be subject to indexation.

The increase in the prices of raw materials and construction materials in 2021 translated directly into an increase in the prices of construction and assembly production which in January 2022 was 8.3% higher than in January 2021, while in February - by 9.3%.

Chart: Changes in construction and assembly production prices between 2020 and 2022 compared to the same period of the previous year (source: the Central Statistical Office)



The above data indicates steady rise of construction and assembly production costs from March 2021 with a marked acceleration in the second half of the year. The statement, however, does not include further price increases after the beginning of the war in Ukraine on 24 February 2022. This event changed the prospects for the construction market in Poland in the following months and even years.

#### 4.2. Market prospects

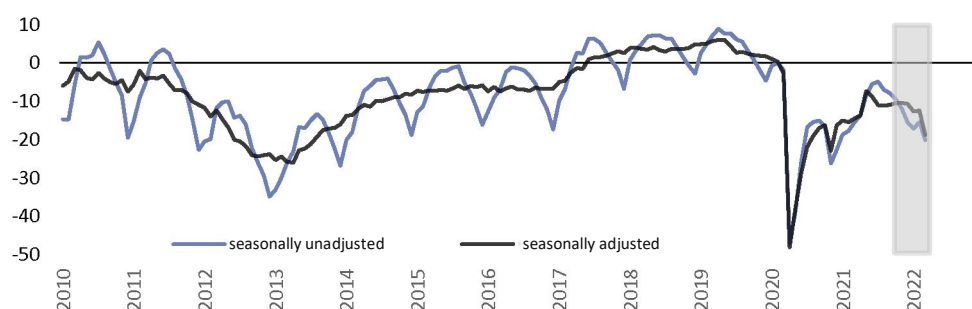
The prospects for the construction market in Poland will be affected mainly by geopolitical conditions related to the beginning of the war in Ukraine. As a result of increasingly severe economic sanctions imposed on Russia by European Union and the USA, the supply of basic raw materials necessary for the production of construction materials has declined sharply. The resulting above-average increase in raw material prices, the outflow of Ukrainian workers from construction sites and steadily rising inflation - these are the most important factors shaping the prices of construction materials and services in the first quarter of 2022.

As of the date of this report, the dynamics of military, political and economic events related to the state of war in Ukraine make it difficult to formulate long-term forecasts for construction. Nevertheless, the Polish Association of Construction Employers points to six areas of anticipation for the domestic construction industry in the medium term. It should be noted that depending on the further course of the war in Ukraine, the following effects on the construction market may occur with varying intensity:

1. the general mobilisation in Ukraine and the resulting outflow of construction workers may lead to delays on Polish construction sites;
2. increase in prices of raw materials on global markets may lead to further increase in prices of construction materials also in Poland;
3. Russia's attack on Ukraine may cause Polish companies problems with uninterrupted supplies from Ukraine, Russia and Belarus;
4. geopolitical turmoil may result in banks tightening their credit and guarantee policies towards the Polish construction industry;
5. the tense global geopolitical situation, the economic impact after the COVID-19 pandemic, the associated rising inflation and the need for the central bank to tighten monetary policy may prompt investors to put new investment projects on hold;
6. other consequences of Russia's attack on Ukraine may include increased cyber threat to construction companies executing contracts for the construction of critical infrastructure facilities, increased foreign exchange risk, and depriving Polish companies of opportunities to expand into eastern markets.

Awareness of these risks directly affects sentiment in the economy, particularly in the construction industry. According to a survey conducted by the Central Statistical Office in March this year, the indicator of general business climate in all areas of the economy in Poland (except for the accommodation and catering section) was at a level lower than in February and January. The economic situation was assessed as favourable only by entities from the financial and insurance activity sector and the information and communication sector. The most pessimistic assessment of the market situation was made by entities from the construction sector, where the index in March was minus 20.1 and was lower than that recorded a month earlier (minus 15.6).

Chart: Construction sector index (Central Statistical Office).



When discussing the prospects for the Polish construction industry, one should also pay attention to the opportunities. In the following months, the condition of the Polish construction market may be positively affected by:

1. further development of the e-commerce market and the related demand for warehouse projects;
2. increased demand for residential projects due to the influx of war refugees to Poland;
3. the inflow of EU funds under the National Reconstruction Plan;
4. the opportunity to participate in the reconstruction of infrastructure in Ukraine destroyed during the war.

As mentioned above, the warehouse and logistics area market in Poland is experiencing record demand and supply which is unable to keep up with it. By the end of 2021, a total of 4.2 million sq.m. of such projects were under construction. According to research by Colliers, the gross demand for this type of areas last year amounted to more than 7.5 million sq.m. This is a record in the history of this market. Compared to 2020, the gross demand volume was approximately 2.1 million sq.m. higher. Such a good condition of the warehouse and logistics area market in Poland is influenced by the development of the e-commerce market, the development of the road infrastructure and the advantageous location of the country in the centre of Europe. In Q1 2022, despite the unstable situation on the construction materials market, we see unabated demand for the execution of such projects which is reflected in the order portfolio of MIRBUD S.A. As at the date of this report, the Company is in the process of construction of a total of 23 warehouse and industrial projects with a total value of PLN 1.3 billion, of which works worth PLN 0.73 billion are planned to be invoiced in 2022. The vast majority of this type of projects is executed by MIRBUD S.A. for entities from the market leader's group - Panattoni Europe. Transactions for these contracts are settled in Euro currency. The advantage of such contracts is that they have short lead times, thanks to which the Company is able to precisely determine the costs of execution with minimum risk of unfavourable price changes, assuming that satisfactory margins are realised.

The prospects for the construction market in Poland in 2022, particularly for local government projects and road and rail infrastructure, will be influenced by the availability of EU funds. From the EU cohesion policy budget, Poland has €76 billion at its disposal for the years 2021-2027, while under the NRP our country applies for EUR 23.9 billion in grants and EUR 11.5 billion under the loan part. However, at the

end of Q1 2022, there is still no agreement between the Polish government and the European Commission on the adoption of the NRP in our country.

At the end of 2021, the value of the order portfolio of the MIRBUD Capital Group amounted to approx. PLN 5 billion net, with prevailing exposure (approx. 85%) to road infrastructure construction contracts, hence the prospects of this market in Poland are important for further development of the Group.

In August 2021, the Ministry of Infrastructure published an updated Government Programme for the Construction of National Roads by 2030 (with an outlook until 2033). The document sets out the objectives of Poland's transport policy with respect to the construction of the TEN-T road network, the Trans-European Transport Network, the main objective of which is to coordinate and ensure coherence and complementarity of infrastructure projects in Europe. The Programme provides for expenditures of a total of PLN 292 billion for the execution of investment tasks involving the construction of motorways and expressways (including the construction of additional lanes or carriageways to existing motorway and expressway sections), sections of selected national roads, and bypasses. The projects will be financed under the new EU financial perspective 2021-2027 and the next EU perspective 2028-2034.

In Poland, the TEN-T network, as stipulated in Regulation (EU) No. 1315/2013 of the European Parliament and of the Council of 11 December 2013 on Union guidelines for the development of the trans-European transport network and repealing Decision No. 661/2010/EU, includes:

- a core network which underpins the development of the TEN-T and consists of priority connections, relevant to the achievement of European transport policy objectives, to be completed by 2030;
- a comprehensive network, ensuring accessibility and connectivity of all EU regions, to be completed by 2050.

The total length of the TEN-T road network in Poland is approx. 7,700 km, approx. 3,890 km of which constitutes the core network, consisting of the following road routes:

- A1 Gdańsk – Łódź – Gorzyczki – Czechy,
- A2 Germany – Świecko – Łódź – Warsaw – Kukuryki – Belarus,
- A4 Germany – Jędrzychowice – Wrocław – Kraków – Przemyśl – Korczowa – Ukraine,
- A6 Germany – Klucz interchange – Rzęsnica interchange,
- A8 Motorway Wrocław bypass,
- S1 Pyrzowice Airport (A1) – Tychy – Bielsko-Biała – Żywiec – Zwardoń – Slovakia,
- S2 Warsaw (Konotopa interchange – Puławska interchange – Lubelska interchange),
- S3 Czech Republic – Lubawka – Legnica – Szczecin (Klucz interchange) – Świnoujście,
- S7 Gdańsk (Southern bypass of Gdańsk) – Warsaw,
- S8 Wrocław – Łódź (Łódź Południe interchange),
- S8 Warsaw (Drewnica interchange) – Ostrów Mazowiecka,
- S17 Warsaw (Drewnica interchange) – Lublin (Lublin Sławinek interchange),
- S19 Lublin (Lublin Sławinek interchange) – Kraśnik – Rzeszów (Rzeszów Wschód interchange),
- S22 Elbląg – Grzechotki – Russia,
- S61 Ostrów Mazowiecka – Augustów bypass – Suwałki – Lithuania.

According to information provided by the Ministry of Infrastructure, as at the end of 2020, the core network was approx. 79% completed. The remainder of the TEN-T network is the comprehensive network which includes:

- A18 Germany – Olszyna – Golnice,
- S1 Bielsko-Biała – Cieszyn – Czech Republic,
- S5 Wrocław – Poznań – Bydgoszcz – Nowe Marzy – Ostróda,

- S6 Goleniów – Tri-City bypass,
- S7 Warsaw – Rabka – Chyżne – Slovakia,
- S8 Ostrów Mazowiecka – Białystok,
- S8 Piotrków Trybunalski – Warsaw,
- S10 Szczecin – Płońsk,
- S11 Koszalin – Piła – Pyrzowice,
- S12 A1 (Piotrków Trybunalski) Radom – Puławy bypass, Piaski – Dorohusk – Ukraine,
- S16 Olsztyn – S61 (Ełk)
- S17 Lublin ( Dąbrowica interchange) – Piaski – Hrebenne – Ukraine,
- S19 State border – Kuźnica – Białystok – Lublin (Lublin Sławinek interchange),
- S19 Rzeszów ( Rzeszów Wschód interchange) – Barwinek – Slovakia,
- S52 Głogoczów – Wadowice – Bielsko-Biała,
- S74 Sulejów (S12) – Cedzyna – Nisko (S19).

According to information provided by the Ministry of Infrastructure, approx. 30% of the comprehensive network has been completed at the end of 2020.

At the beginning of 2022, the General Directorate for National Roads and Motorways published its road investment plans for 2022. According to the assumptions, tenders for execution of 29 tasks with a total length of approx. 475 km are planned to be announced. However, it should be noted that only 19 sections with a total length of approx. 271 km have secured funding. Among the planned tasks, most of them are executed under the Government's National Roads Construction Programme for 2021 - 2030 (with an outlook until 2035).



Fig. Planned tenders in 2022 [source: General Directorate for National Roads and Motorways]



100 Bypasses Construction Programme for 2020-2030	4 tasks with a total length of 18.7 km
National Roads Construction Programme - tasks with guaranteed	13 tasks with a total length of 149.3 km
National Roads Construction Programme - tasks awaiting financing	10 tasks with a total length of 204.4 km
outside the National Roads Construction Programme	2 tasks with a total length of approx. 103 km

A2, widening, Łódź Północ - Konotopa (approx. 88 km) without financing

For residential unit buyers, 2021 was a year of limited availability of new apartments on the market. The pandemic significantly prolonged the process of introducing new residential projects (long waiting time for administrative decisions) which, combined with the unrelenting demand, affected the selection of available apartments. During this period, a development company from the MIRBUD Group, JHM DEVELOPMENT S.A., put into use four projects and sold (by way of transferring ownership with notarial deeds) a total of 393 units, which is the best result in its history. At the end of 2021, JHM DEVELOPMENT S.A. had 623 preliminary and development contracts signed, forecasting high sales in 2022.

### 4.3. Description of activities of companies from the MIRBUD Group in 2021

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

The most important achievements of the companies from the MIRBUD Capital Group in the reporting period include:

- doubling the scale of construction operations compared to the previous year;
- filling and maintaining the value of the MIRBUD Capital Group order portfolio at over PLN 5,000 million for the years 2020-2025;
- increase in sales, revenue and net profit from property development activities;
- development of construction operations in the military infrastructure market;
- winning industrial construction contracts with a total value of approx. PLN 1,300 thousand, including primarily warehouse facilities in connection with the development of the e-commerce market in Poland;
- maintaining, despite the state of epidemic, the commercialisation of CH MARYWILSKA 44 sp. z o.o. at the level of over 95%;
- reorganisation of the MIRBUD Group in the commercial property leasing sector.

The most important failures of the companies from the MIRBUD Capital Group the reporting period include:

- decline in commercial property lease profitability due to the outbreak of the COVID-19 coronavirus pandemic.

Construction is one of the strategic sectors of the Polish economy. Despite the economic restrictions caused by the pandemic condition remaining in force, 2021 was one of the record years in terms of financial results and scale of operations in the history of the MIRBUD Capital Group. Basic financial results doubled compared to the previous year and multiplied compared to previous years.

Chart: Revenue of the MIRBUD CG between 2016 and 2021 (in PLN thousand)

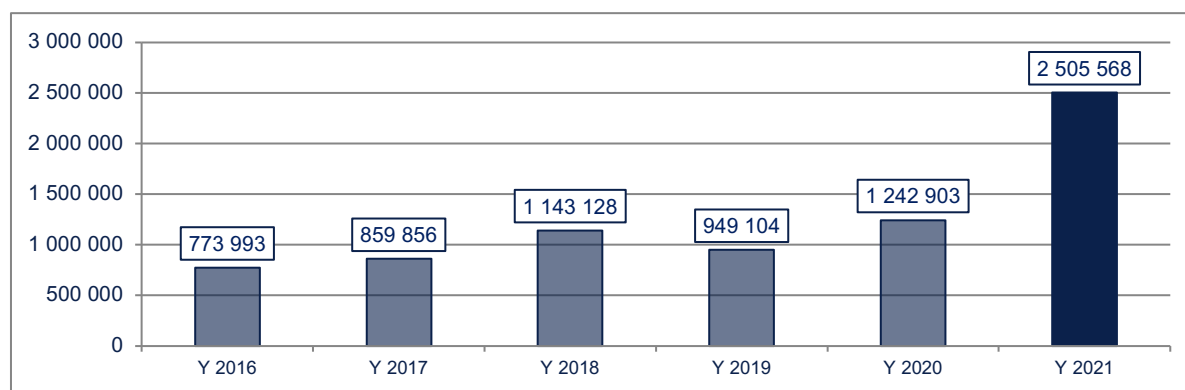
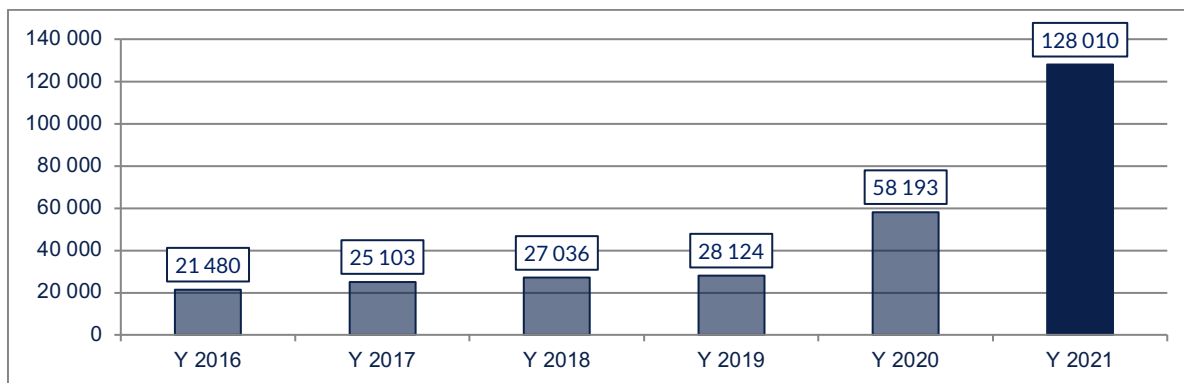
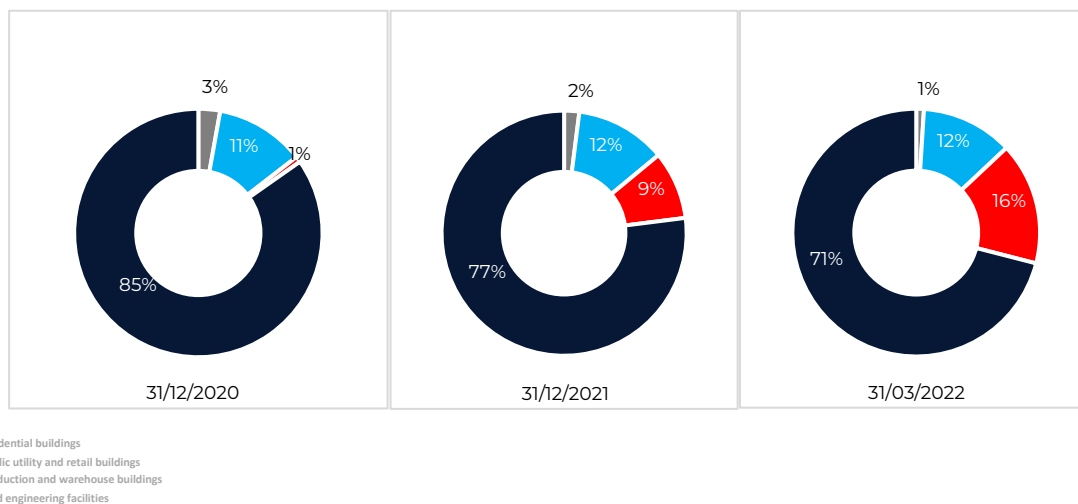


Chart: Net profit of the MIRBUD CG by business segments between 2016 and 2021 (in PLN thousand)



In March 2021, the General Directorate for National Roads and Motorways has announced that the MIRBUD Capital Group is the second largest contractor involved in road construction contracts in Poland. During the period in question, the structure of the MIRBUD Capital Group’s order portfolio still remained with an overwhelming exposure to engineering construction contracts, however there have been significant changes in the structure of the portfolio in favour of industrial and warehouse construction contracts. Such contracts are characterised by a short lead time and high margins, therefore obtaining a significant number of such orders is one of the methods used by the Group to diversify the risks associated with changes in prices and, consequently, the costs of execution of long-term contracts, such as roads or public utility buildings which are characterised by at least a 3-year lead time. Industrial construction contracts held by the MIRBUD CG are settled in Euro, so revenue earned on this account is not subject to the risk of fluctuations in the PLN exchange rate.

Chart: Change in the structure of the MIRBUD CG order portfolio



The share of public utility construction contracts also increased slightly during the period under review. It should be noted that most of the currently executed building contracts are reference facilities for further operations of the MIRBUD CG. In previous years, MIRBUD S.A. was a company recognised primarily on the market of general contractors executing industrial construction investments. As of 2019, the scope of activity has been significantly expanded to include not only prestigious road construction contracts, but also public building facilities with a strong impact on local communities. Timely and efficient execution of these contracts allows MIRBUD S.A. to be perceived by customers and investors as a reliable business partner, as well as an efficient Polish general contractor of the most important building construction contracts.

As the above statement shows, as at the date of preparation of this report, the structure of order portfolio of the MIRBUD CG has undergone further changes towards development of operations in the segment of industrial and public utility construction, with simultaneous further marginalisation of the share of residential construction contracts which MIRBUD S.A. executes exclusively for the subsidiary, JHM DEVELOPMENT S.A.

## MIRBUD S.A.

The company invariably provides a wide range of construction and assembly services in the area of industrial, construction, housing and engineering and road projects, performed in the general contracting system. In addition, publishing operations constitute a marginal area of the company's activities.

The company's biggest achievements in 2021 include signing contracts for the following projects:

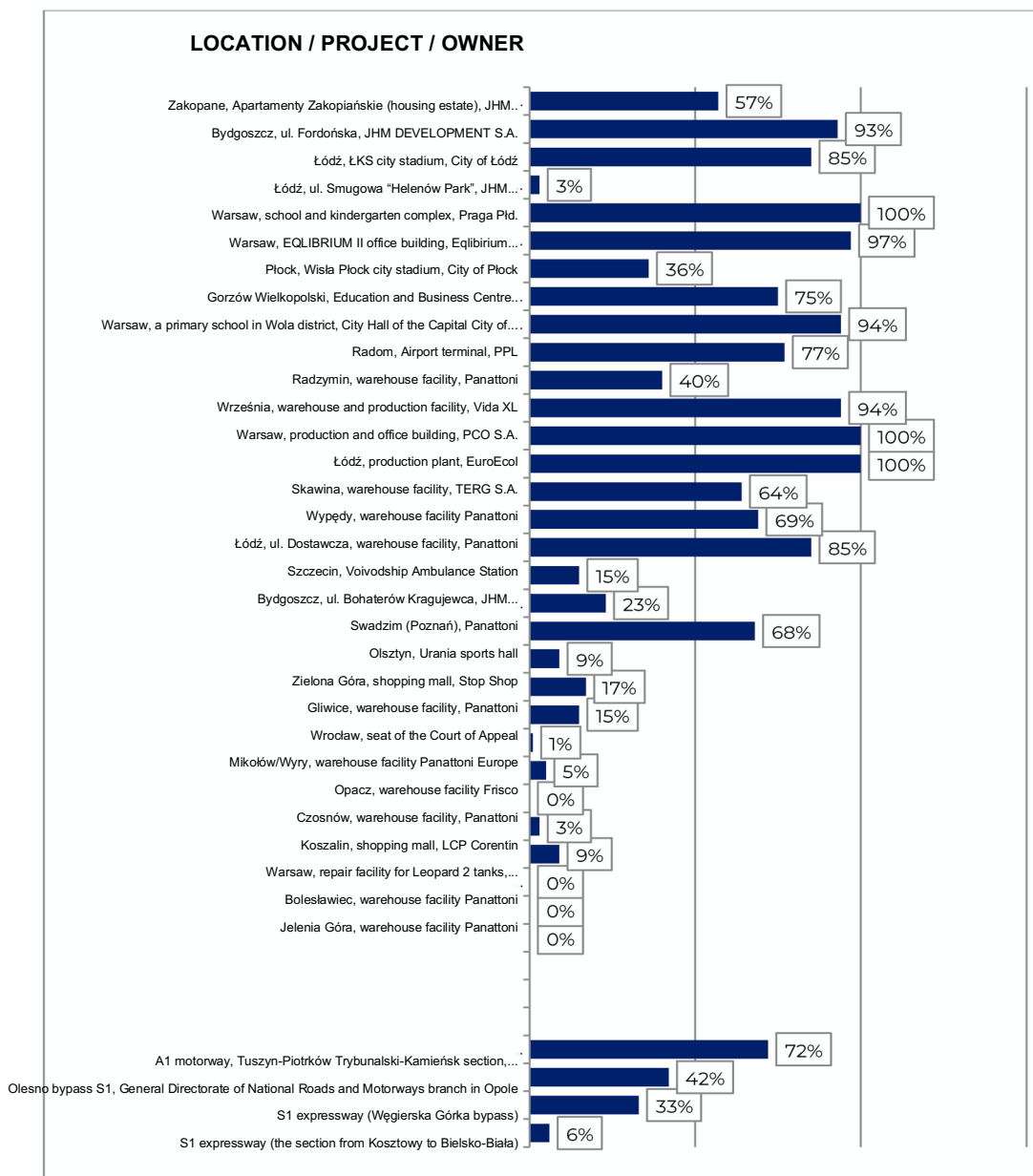
- A contract for the construction of the Voivodship Ambulance Station in Szczecin with a net value of PLN 26.69 million.
- A contract by a consortium of companies led by MIRBUD S.A. for the construction of the Tri-city Metropolitan Bypass with a net value of PLN 632.51 million.
- A contract for the construction of a residential building in Bydgoszcz with a net value of PLN 27.84 million.
- A contract by a consortium led by MIRBUD S.A. for the design and construction of a bypass of Gostyń in the Wielkopolskie Voivodeship with a net value of PLN 200.67 million.
- A contract for the reconstruction and extension of the Urania sports and entertainment hall in Olsztyn with a net value of PLN 158.28 million.
- A contract for the construction of a warehouse and logistics centre in Września in the Wielkopolskie Voivodeship with a net value of PLN 139.97 million.
- A contract for the construction of the Court of Appeal building in Wrocław with a net value of PLN 59.91 million.
- A contract for the design and construction of the Gostyń bypass within the national road No. 12 in Wielkopolska with a net value of PLN 200.65 million.
- A contract for the execution of a public procurement in the defence and security sectors - construction of a repair hall for Leopard 2 tanks in Warsaw Wesola, with a net value of PLN 64.56 million.
- A contract for the expansion of a shopping centre in Koszalin with a net value of PLN 49.33 million.
- A contract for the construction of a City Stadium in Opole with a net value of PLN 169.69 million.
- A contract for the construction of a warehouse building in Swadzim near Poznań with a net value of EUR 13.79 million.
- Receipt of a signed letter of intent for the construction of a production and warehouse complex in Cząstków Mazowiecki, Czosnów municipality with a net value of EUR 10.8 million.

In addition, after the end of the reporting period, the Company signed the following contracts:

- for the design and execution of construction works for the S74 Przełom/Mniów - Kielce expressway section (S7 Kielce Zachód interchange) with a net value of PLN 437.14 million;
- for the construction of a production and warehouse complex in Cząstków Mazowiecki, Czosnów municipality with a net value of EUR 10.8 million;
- for the execution of a public procurement in the defence and security sectors - the construction of an armoured equipment repair hall in Krosno Odrzańskie with a net value of PLN 39.47 million.

As at 31/12/2021, the Company has been in the process of executing a total of 40 building construction project contracts and 4 road construction contracts on its own or as a consortium leader with its subsidiary, KOBYLARNIA S.A.

The progress of works on construction sites as at the end of December 2021 is presented in the chart below:



In accordance with the Dividend Policy adopted in 2020, in 2021 the Company paid a dividend of PLN 0.08 per share on its standalone profit for 2020 which constituted a 400% increase on the previous year. This year is also the second time the Company has been included in the WSE's analytical coverage support programme, under which IPOPEMA Securities S.A. Brokerage House issues recommendations and analyses for MIRBUD S.A. in 2021, as well as conducts meetings with institutional investors interested in participating in the Company's shareholding.

In the first half of 2021, the Company implemented a number of measures to align its corporate governance rules with the current Set of Best Practice for Listed Companies 2021 which the Warsaw Stock Exchange published in July 2021. Under the new rules, the Company has introduced a number of regulations and procedures to adjust its organisational culture in terms of governance and compliance. In order to increase the attractiveness of how the Company is perceived by institutional and individual investors, changes were also made to the communication policy of MIRBUD S.A., according to which, starting from 2022, together with the publication of periodic reports, the Company organises open meetings dedicated to the presentation of financial results for a given accounting period. In addition, financial estimates for the given period are published after the end of the accounting period.

During the reporting period, the Company completed the construction of 1 public utility facility, 6 production and warehouse facilities, as well as 5 multi-family residential buildings and 81 single-family houses.

In the period from 1 January to 31 December 2021, the Company participated in 110 non-public tender procedures and 49 public tenders in Poland with a total value of PLN 16.4 billion. 29 of them ended with the selection of the Issuer's bid.

## **KOBYLARNIA S.A.**

In 2021, the number of tenders organised by the General Directorate for National Roads and Motorways decreased, while in 2022, as part of the implementation of the government's National Road and Motorway Construction Plan for 2021 - 2030 (with an outlook until 2035), tenders are planned to be announced for road projects mainly in the eastern part of the country, where the Company does not have its own logistics facilities. Despite this, KOBYLARNIA S.A. currently has an order portfolio filled until 2025. Road construction contracts are usually executed by a consortium of KOBYLARNIA S.A. and MIRBUD S.A., with KOBYLARNIA S.A. acting as the consortium leader for road projects located in western, north-western and northern Poland, and MIRBUD S.A. remaining the consortium leader for road projects located in southern and south-western Poland.

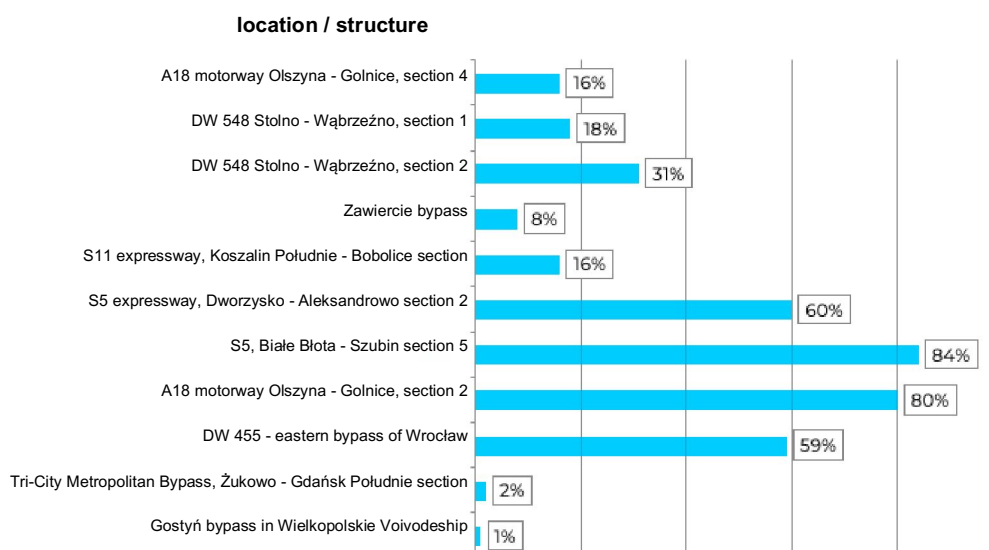
In 2021, the Company executed the following contracts, acting as a leader in a consortium with MIRBUD S.A.:

- Construction of the A18 motorway Olszyna - Golnice (reconstruction of the southern roadway) section 2 from km 11+860 to km 33+760, commissioned by the General Directorate for National Roads and Motorways. Contract value: PLN 206.61 million net.
- Construction of a bypass road for Poręba and Zawiercie within the national road No. 78, Siewierz - Poręba - Zawiercie (Kromołów) section - from km 105+836 to km 122+500, commissioned by the General Directorate for National Roads and Motorways. Contract value: PLN 337.15 million net;
- Continuation of design and construction of the S5 expressway from Dworzysko interchange (without interchange) to Aleksandrowo interchange (with interchange) with a length of

- approximately 22.4 km, commissioned by the General Directorate for National Roads and Motorways. Contract value: PLN 474.28 net;
- Continuation of design and construction of the S5 expressway on the section from the “Białe Błota” interchange (without interchange) to “Szubin” interchange (without interchange) with a length of approximately 9.7 km, commissioned by the General Directorate for National Roads and Motorways. Contract value: PLN 292.21 million net.
  - Design and construction of the S11 expressway Koszalin - Szczecinek, Koszalin West interchange section (without interchange) - Bobolice interchange. Section 3. Koszalin South interchange (without interchange) - Bobolice interchange (with interchange), commissioned by the General Directorate for National Roads and Motorways. Contract value: PLN 365.85 million net.
  - Construction of a regional road along the section from regional road No. 455 to national road No. 98 in Wrocław, according to the “design and build” formula, commissioned by the Voivodship Roads Authority in Wrocław. Contract value: PLN 133.9 million net.
  - Extension of voivodship road No. 548 Stolno - Wąbrzeźno from km 0+005 to km 29+619, excluding the motorway interchange in the town of Lisewo from km 14+144 to km 15+146, part 2 - stage II from km 15+146 to km 29+619, commissioned by the Voivodship Roads Authority in Bydgoszcz. Contract value: PLN 55.93 million net.
  - Extension of voivodship road No. 548 Stolno - Wąbrzeźno from km 0+005 to km 29+619, excluding the motorway interchange in the town of Lisewo from km 14+144 to km 15+146, part 1 - stage I from km 0+005 to km 14+14, commissioned by the Voivodship Roads Authority in Bydgoszcz. Contract value: PLN 55.93 million net.
  - Construction of the A18 motorway Olszyna - Golnice (reconstruction of the southern roadway) section 4 from km 50+000 to km 71+533 commissioned by the General Directorate for National Roads and Motorways. Contract value: PLN 210.32 million net.
  - Design and construction of the Tri-city Metropolitan Bypass, Żukowo interchange section (with interchange) - Gdańsk Południe interchange (with interchange), commissioned by the General Directorate for National Roads and Motorways. Contract value: PLN 631.69 million net.
  - Design and construction of the Gostyń bypass within national road No. 12 in Wielkopolska, commissioned by the General Directorate for National Roads and Motorways. Contract value: PLN 200.65 million net.

Additionally, after the reporting period, the Company has signed a contract for the construction of the South Service Road in Legnica – Stage III, commissioned by the Municipality of Legnica. Contract value: PLN 72.03 million net.

The progress of works on major construction projects as of the end of December 2021 is presented in the chart below:



In 2021, the Company participated in 36 tenders which ended with conclusion of 10 contracts.

### EXPO MAZURY w likwidacji

EXPO MAZURY S.A. w likwidacji, in connection with the sale of real property to Marywilska 44, ceased to conduct operations in the first half of 2021. On 19 November 2021, MIRBUD S.A. received information from the liquidator of EXPO MAZURY S.A. w likwidacji about issuing a decision by the District Court in Olsztyn, 8th Commercial Division of the National Court Register on removing the Company from the Register of Entrepreneurs.

### ТОВ «МІРБУД»

The Company was established for the purpose of conducting business activity in Ukraine. It currently has no material operations in that country.

### JHM DEVELOPMENT S.A.

As a developer, the Company primarily develops residential buildings. The Company's property development activities in 2021 included mainly the execution of development projects completed in that year in Łódź – single-family houses in the first and second stage of *Osiedle Leśne* (housing estate), residential units in multi-family buildings in Konin - stage 5 of *Osiedle Diamentowe* (housing estate) and in Sochaczew - *Apartamenty Żeromskiego* (housing estate). The execution of projects which will be completed in 2022 also continued. These projects include the ones in Bydgoszcz - *Aura Towers* housing estate, Zakopane - *Apartamenty Zakopiańskie* and in Gdańsk - stage 1 of *Osiedle Skandynavia* (housing estate). In 2021, execution of the following projects was commenced, with completion scheduled for 2023: *Osiedle Artystyczne* in Żyrardów, *Osiedle Nowe Wyżyny* in Bydgoszcz, stage 2 of *Osiedle Skandynavia* in Gdańsk, and *Osiedle Helenów Park* in Łódź.

These projects are located in line with the Company's strategic assumptions. These assumptions include operations in large cities with populations over 300,000 and continued operations in medium-sized cities with high sales potential.

When selecting locations for new investments, the key factors for the Company include:



- strong demand,
- limited competition,
- the financial capacity of the inhabitants of the city in question.

The projects are carried out in stages as the appropriate level of sales is achieved. The construction of further buildings in the ongoing investments starts after a minimum level of 60% of the sales of residential units in the previous stages is achieved.

Table. List of development projects completed by JHM DEVELOPMENT S.A. as at 31/12/2021

Item No.	Location	Type of investment	Number of units in the building	PUM area [sq.m]	Number of units sold	Number of units to be sold
1	BRZEZINY ul. Głowackiego	Multi-family	128	6,933	128	0
2	ŻYRARDÓW ul. Hulki Laskowskiego	Multi-family	83	4,409	83	0
3	RUMIA ul. Dębogórska Stage I	Multi-family	244	12,987	244	0
4	SKIERNIEWICE ul. Trzcńska	Multi-family	159	8,552	159	0
5	RAWA MAZOWIECKA ul. Solidarności	Multi-family	32	1,790	32	0
6	RAWA MAZOWIECKA ul. Kazimierza Wielkiego	Multi-family	34	1,858	34	0
7	HEL ul. Steyera	Apartments	106	3,496	106	0
8	BELCHATÓW ul. Hubala	Multi-family	125	6,550	125	0
9	SKIERNIEWICE ul. Rawska	Multi-family	172	9,034	172	0
10	RAWA MAZOWIECKA ul. Katowicka	Detached houses	73	10,503	73	0
11	RUMIA ul. Jagielly/Bony	Detached houses	3	486	3	0
12	ŻYRARDÓW ul. Okrzei Stage I	Multi-family	88	4,316	88	0
13	KONIN ul. Berylowa Stage I	Multi-family	144	7,384	143	1
14	ŁOWICZ ul. Medyczna 12	Multi-family	25	1,383	25	0
15	KONIN ul. Beryllium Stage II	Multi-family	144	7,389	144	0
16	KATOWICE, ul. Pułaskiego Stage I	Multi-family	208	11,116	208	0
17	ŁOWICZ ul. Bonifraterska	Multi-family	25	1,398	25	0
18	RUMIA ul. Dębogórska Stage II	Multi-family	237	11,987	236	1
19	SKIERNIEWICE ul. Kopernika	Multi-family	34	1,787	34	0
20	BRZEZINY ul. Kard. St. Wyszyńskiego 2	Multi-family	56	2,838	56	0
21	ŻYRARDÓW ul. Okrzei Stage II	Multi-family	34	1,933	34	0
22	ŁOWICZ ul. Medyczna 10	Multi-family	30	1,406	30	0
23	ŻYRARDÓW ul. Okrzei Stage III	Multi-family	70	3,977	69	1
24	BRZEZINY ul. Kard. St. Wyszyńskiego 4 and 6	Multi-family	72	4,129	72	0
25	SKIERNIEWICE, ul. Reymonta	Multi-family	212	11,748	211	1
26	RUMIA, ul. Dębogórska Stage III	Multi-family	74	3,541	74	0
27	KONIN, ul. Berylowa, Stage III	Multi-family	122	5,998	122	0
28	KATOWICE, ul. Pułaskiego Stage II	Multi-family	116	7,081	112	4
29	ŻYRARDÓW ul. Ks. J. Popiełuszki	Multi-family	98	4,838	77	21
30	KONIN ul. Beryllium Stage IV	Multi-family	122	5,998	109	13
31	ŁÓDŹ ul. Jugosłowiańska Stages I and II	Detached houses	40	6,750	32	8
32	ŁÓDŹ ul. Jugosłowiańska Stage III	Detached houses	41	6,617	20	21

33	KONIN ul. Beryłowa Stage V	Multi-family	55	2,829	13	42
34	SOCHACZEW ul. Żeromskiego	Multi-family	27	1,499	27	0
<b>TOTAL</b>			<b>3,233</b>	<b>184,540</b>	<b>3,120</b>	<b>113</b>

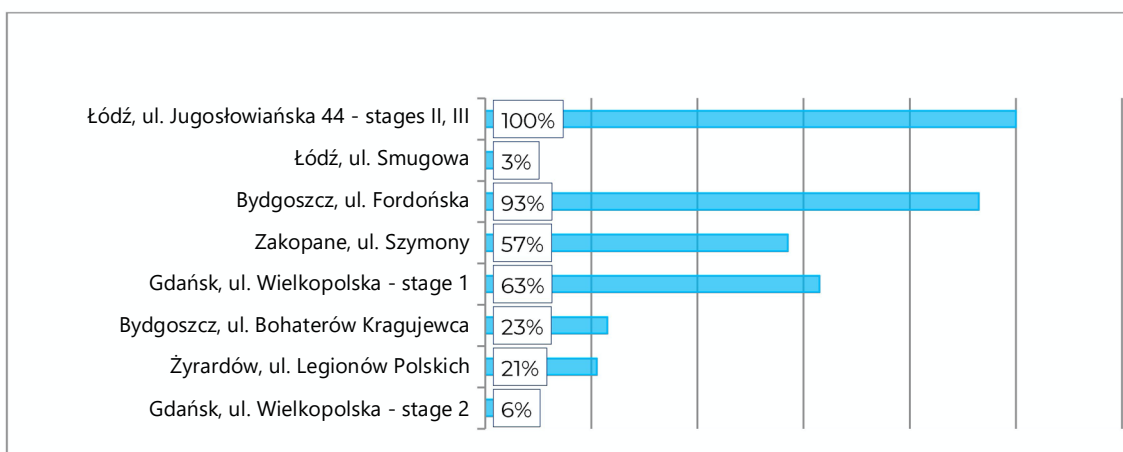
In 2021, by way of notarial deeds of ownership transfer, the Company sold 393 residential units with an area of 26.4 thousand sq.m. PUM, as compared to 331 units with an area of 18.1 thousand sq.m. PUM in 2020.

The Company's portfolio also includes 1,326 residential units in multi-family housing construction with a total usable residential area of 65.0 thousand sq.m. PUM in 7 projects currently under construction. As part of this, development contracts or preliminary contracts have been signed for 365 units under construction. The table below presents details of these investments.

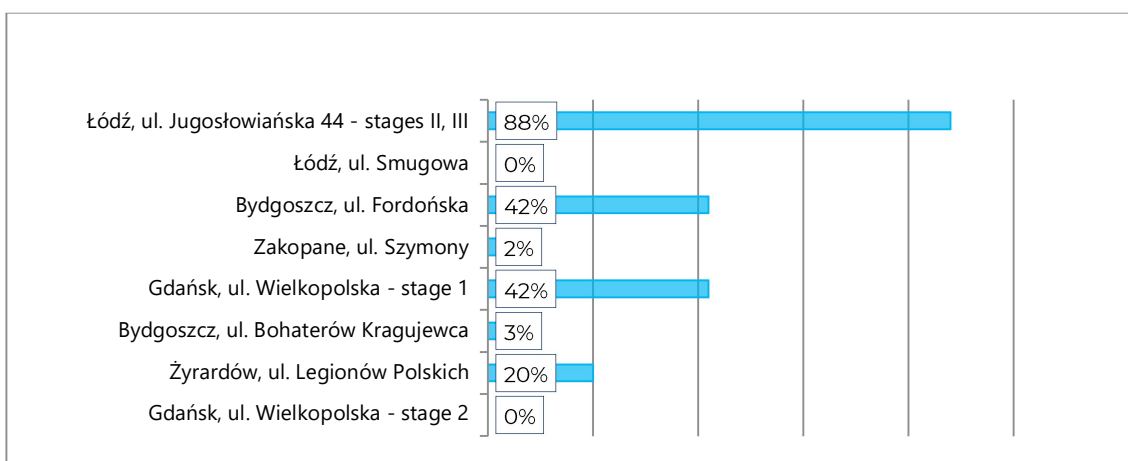
Table: List of development projects under construction as at 31/12/2021

Item No.	Location	The plot of land area [ha]	Housing type	PUM [sq.m.]	Number of premises
1	BYDGOSZCZ ul. Fordońska	0.7958	housing and services	15,493	311
2	ZAKOPANE ul. Szymony	0.9860	housing and services	8,705	241
3	GDAŃSK ul. Wielkopolska Stage I	0.6825	multi-family	5,756	108
4	BYDGOSZCZ ul. Bohaterów Kragujewca	0.4137	multi-family	6,426	119
5	ŻYRARDÓW ul. Legionów Polskich	0.5476	multi-family	9,237	179
6	ŁÓDŹ ul. Źródłowa	0.6760	multi-family	9,734	180
7	GDAŃSK ul. Wielkopolska Stage II	1.0238	multi-family	9,659	188
<b>TOTAL</b>		<b>5.1254</b>		<b>65,010</b>	<b>1,326</b>

The progress of these projects as at 31/12/2021 is shown in the chart below.



The sales level of units (number of preliminary/development contracts signed) in projects currently under construction is presented in the chart below.



### Marywilka 44 Sp. z o.o.

Marywilka 44 Sp. z o.o. is a company operating in the sector of management and lease of commercial space, belonging to the MIRBUD Capital Group. The Company manages the MARYWILSKA 44 Shopping Complex located in Warsaw (Białoleka District) at ul. Marywilka 44, which includes: **Centrum Handlowe (Shopping Centre) MARYWILSKA 44** with a usable area of 62.126 sq.m. and **Park Handlowy (Shopping Park) MARYWILSKA 44** with a usable area of 12.084 sq.m. The total usable area of the shopping complex covers 74,210 sq.m. of usable area and above-ground parking spaces.

In December 2020 and February 2021, the Company purchased a property located in Ostróda, at ul. Grunwaldzka 55 directly at the exit from the S5 expressway connecting Gdańsk and Warsaw. The usable area of the acquired properties is 56,800 sq.m. and the leasable area is 44,919 sq.m. The purpose of acquiring the property was to expand the business by lease of warehouse and logistics space.

Further acquisitions were made by the Company in the last quarter of 2021. In November, it acquired a property in Starachowice to be used for leasing to a Home and Garden type chain. The total internal lease area of the property is 4,071 sq.m. The property also includes a 428 sq.m. outdoor garden/storage area and outdoor car park.

In December 2021, a property consisting of a retail park with the necessary infrastructure and car park located in Rumia was acquired. The property comprises 6 retail and service units with a total lease area

of 2,982 sq.m.

The acquisitions completed at the end of 2021 enabled the Company to gain a new revenue stream in its core business of leasing space for retail and service purposes.

### **The Company's activities in the commercial property leasing segment.**

The Company's core business is leasing space in commercial and service buildings. The Company manages the shopping complex located in Warsaw at ul. Marywilska which includes:

- **MARYWILSKA 44 Shopping Centre with 1,348 commercial units ranging in size from 20 sq.m. to 1,870 sq.m.**

MARYWILSKA 44 Shopping Centre is a project which has been present on the commercial map of Warsaw for 11 years. It is characterised by a large number of relatively small traders, many with very specialised commercial offerings. By locating all small businesses under one roof of a large shopping centre, the Company achieves scale effect which allows it to engage adequate funds not only for the maintenance of the facility, but also for joint advertising, customer transport, etc. Currently, fashion industry lessees account for the largest group of lessees of the MARYWILSKA 44 Shopping Centre (65%), followed by services (8%), catering (11%), groceries (9%), interior design (3%) and leisure (4%).

- **MARYWILSKA 44 Shopping Park with 17 commercial units ranging in size from 80 sq.m. to 2,268 sq.m.**

The **MARYWILSKA 44 Retail Park**, which opened in 2017, diversified the existing fashion portfolio by promoting items for the home and garden, and also expanded the existing recreational and sports zone. The lessees include: PSB Mrówka, JYSK, DYWANELLA, AT Oświetlenie, MediaEkspert, JETA Łazienki, Galeria Dobrych Mebli, JUMP ARENA Park Trampolin, LONIA Papugarnia, PRO Rowery, PRESTIŻOWY DOM, ROMAX Podłogi, Żabka, and BIG SALE.

For 11 years, the Company has been successfully building its position on the Warsaw map of commercial properties, expanding its circle of customers and visitors. Each year, the Company has recorded an increasing number of visitors to the shopping complex, which has translated into very good financial results.

However, the commercial property leasing market in which the Company operates was heavily impacted by the outbreak of the COVID-19 virus pandemic and the associated restrictions on business in 2020 and 2021. During the periods from 14 March to 03 May 2020, 07 November to 28 November 2020, 28 December 2020 to 31 January 2021, and 15 March to 28 May 2021, most of the lessees in the commercial facilities above 2,000 sq.m. were unable to operate, and the lessors were not entitled to collect rent during this period.

At other times, when most of the shops in the shopping centres reopened, traffic in the malls was significantly less than before the pandemic broke out. The decline in the number of visitors to shopping centres is mainly influenced by factors such as fears of COVID-19 infection and reduced spending on clothing and accessories due to lower population mobility and deteriorating consumer sentiment.

The Company also saw a significant decline in the number of visitors, especially in 2020 and the first half of 2021. A decrease in the number of visitors translates into sales revenue achieved by the Company's lessees which in the long term translates into the amount of rents generated and the level of commercialisation of the managed facilities. Accordingly, to mitigate the effects of the pandemic, the Company conducted two types of activities:

- activities aimed at maximising sales revenue while at the same time shaping the level of rents of premises at a level enabling lessees to continue their business;
- activities to maintain the attractiveness of the centre for visitors and to attract visitors.

Activities aimed at maximising revenue, while maintaining rent levels which ensure lessees' ability to continue their operations included primarily:

- granting periodic reductions in rents due to a decline in the number of visitors to the shopping complex;
- effective recovery of trade receivables by providing rebates only to lessees who are not in arrears to the Company;
- negotiations with lessees for the renewal of leases which expired during the year;
- looking for new lessees, operating in industries less vulnerable to the pandemic outbreak.

In addition to achieving the best possible financial results, the activities described above were aimed at maintaining a high level of commercialisation during the pandemic and once it ended.

As a result of these actions, it should be noted that as at 31/12/2021 the indicator of the level of lease of commercial space in the Marywilska Shopping Centre was 93.99% (a 2% increase compared to 31/12/2020). On the other hand, the occupancy rate of the Shopping Park was - 99.78% as at 31/12/2021 (a 3.81 p.p. increase compared to 31/12/2020). It is also worth noting that during the non-lockdown periods, the vast majority of the shops in the centre remained open, at the same time the lease agreements expiring during 2021 were extended and the lessees regularly paid their rent.

In 2021, the Company managed to attract new lessees in such sectors as clothing and textiles, footwear, beauty salons, household, household appliances and audio/video devices - MEDIAEXPERT chain, groceries - 2 Żabka chain stores.

At the same time, the Company has taken a number of measures to reduce the costs of day-to-day maintenance of the centre (security, cleaning, maintenance, consumables), reduce the costs of sales and advertising and reduce or defer payments relating to the lease of land and property tax and tax liabilities. This enabled maintaining a strong cash position throughout the year and being fully able to meet all obligations.

In the last quarter of 2021, the Company acquired two new commercial properties, i.e. the MARYWILSKA 44 Commercial Pavilion in Starachowice and the MARYWILSKA 44 Commercial Park in Rumia (Centrum Janowo). The purchases were made from related entities, i.e. companies controlled by JHM DEVELOPMENT S.A. - JHM1 Sp. z o. o. and JHM2 Sp. z o. o.

Both facilities are fully commercialised, in good technical condition and do not require significant upgrading works.

Acquired in November 2021, the Retail Pavilion in Starachowice is fully leased to the BricoMarche chain. A Home and Garden type store is operated on the premises. The internal lease area is 4,071 sq.m. The property also includes a 428 sq.m. outdoor garden/storage area and outdoor car park.

In December 2021 the Company acquired a property constituting a retail park with the necessary infrastructure and car park located in Rumia. The facility operating under the name Centrum Janowo comprises 6 retail and service units with a total lease area of 2,982 sq.m. The main lessee is Jeronimo Martins Polska which operates a Biedronka store in the retail park. Other lessees in the complex operate in the area of retail sales (pharmacy) and services (fitness club, language school, restaurant, beauty&SPA services). The property has a permanent lessee structure and is fully commercialised.

The acquisition of the properties described above in the last quarter of 2021 will positively impact the Company's results beginning in 2022 by providing an additional source of revenue at minimal cost. Currently, the majority of the costs in both acquired facilities are paid directly by or re-invoiced to lessees. Thus, the purchases will have a positive impact on the profitability of the entire Company.

#### **The Company's activities in the warehouse and logistics property leasing segment.**

In the wake of the COVID-19 virus pandemic and significant restrictions on the ability to trade in large-scale facilities, the Company sought new revenue and profit opportunities. The real estate segment which proved relatively immune to the economic changes caused by the COVID-19 virus was the warehouse property segment.

As a result of the reorganisation of the MIRBUD Capital Group about which the Issuer informed in Current Reports No. 36/2020 and 41/2021, at the end of 2020 and in February 2021, the Company acquired property comprising a complex of 6 halls located in Ostróda by the S7 expressway between Warsaw and Gdańsk.

The facility was owned by EXPO MAZURY S.A., a company belonging to the MIRBUD S.A. Capital Group. In previous years, the facility primarily functioned as an exhibition and event venue. Due to the COVID-19 virus pandemic and the inability to conduct this type of activity in the foreseeable future, a decision was made to discontinue this type of activity.

The aforementioned properties constitute a complex of six high-class warehouse and exhibition halls located in Ostróda, directly by the S7 expressway. The total area of the property is 12.8 hectares and the total built-up area, including halls, conference and trade fair facilities and technical back-up facilities, is over 56,700 sq.m. Warehousing, production, exhibition and conference activities are possible within the halls.

The main benefits associated with buying property in Ostróda include:

- the Company acquiring a valuable property constituting a new source of revenue, independent of its current activities;
- diversification of revenue sources - the acquired halls will be leased primarily for warehousing purposes;
- improved financial performance;
- acquiring property which can serve as mortgage hedging;
- synergies associated with acquiring new lessees;
- cost synergies (one department for accounting, sales, maintenance, marketing).

Following the acquisition of the entire facility in the first half of 2021, the Company has made investments to transform it in a manner allowing it to derive revenue from the lease of warehouse space, but also from the lease of office, social and leisure space.

As a result, in 2021 the Company made changes and incurred expenses related to the adaptation of the technical infrastructure of the facility to the new functions, including:

- introducing changes to existing fire protection systems, including sprinkler, fire hydrant and smoke extraction systems;
- providing infrastructure to enable the delivery of goods to the warehouses - including the construction of so-called unloading docks and the related reconstruction of road infrastructure;
- providing additional cameras and surveillance systems.

The above changes were made based on the requirements of the lessees of space on the premises. At the same time, the Company conducted activities aimed at commercialising the facility. In December 2020, the first lease agreements were signed, and in February 2021 an agreement was concluded with the facility's largest lessee, operating in the furniture trading industry - this agreement covers the lease of a total of 31,000 sq.m. of space. As at 31/12/2021, the commercialisation of the facility was at the level of 76.00%.

The Company is currently conducting intensive activities to acquire new lessees for the facility in Ostróda.

At the same time, work was undertaken to optimise the operating costs of the Ostróda facility, also in the context of its conversion to a warehouse facility. These activities included:

- ensuring and optimising the costs of maintenance and technical supervision of the facility, including the costs of mandatory inspections;
- utilities' cost containment analysis including, but not limited to, electricity and heat consumption;
- minimising the cost of day-to-day maintenance of the property, including minor repairs, cleaning, security.

Marywilska 44 sp. z o. o. has extensive experience in managing large commercial facilities and employs specialists in this area. The above activities will allow for optimisation of operating costs of the facility in Ostróda and further commercialisation of space within the property.

### **JHM 1 Sp. z o.o.**

A special purpose vehicle, JHM 1 Sp. z o.o., was established to carry out investment projects in the market segment of commercial property lease. The first investment project implemented by the Company is a retail and service pavilion of the "Home and Garden" sector in Starachowice. The building was released to the lessee at the end of 2012. The first lessee was the NOMI retail chain. At the beginning of 2017, there was a change of lessees and since February 2017, the new lessee is the BRICOMARCHÉ retail chain, with which a lease agreement was signed for a period of 10 years with an option to extend for another 10 years and for another 10 years.

In 2021, as part of the reorganisation of the MIRBUD Capital Group, the company-owned property in Starachowice was sold to Marywilska 44 Sp. z o.o., and JHM 1 Sp. z o.o. does not currently carry out any operating activities.

## JHM 2 Sp. z o.o.

In the case of JHM 2 Sp. z o.o., its main area of activity was the management of facilities with the BIEDRONKA retail chain as the main lessee, owned by Jeronimo Martins Polska S.A. with its registered office in Kostrzyn.

In 2021, as part of the reorganisation of the MIRBUD Capital Group, the company-owned property in Rumia was sold to Marywilska 44 Sp. z o.o., and JHM 2 Sp. z o.o. was put into liquidation as of 1 February 2022. The Company does not currently carry out any operating activities.

## 4.4. Corporate Social Responsibility

The MIRBUD Capital Group implements a strategy regarding environmental protection, occupational health and safety and campaigns for the benefit of local communities, as described in the report on non-financial activities published with the Annual Report for 2021. The Group's strategy in this respect is available

at: <https://mirbud.pl/media/asset/8fb2334c5cc4ff348daae341d680b1c666e36df0e44591229aac5395095169b5.pdf>

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

The structure of revenue from sales, costs of sales and profitability by business segments for the MIRBUD Capital Group for the first half of 2021 as compared to the first half of 2020 are presented in the tables below:

Table: Sales realised by the MIRBUD Capital Group in the periods from 01/01/2021 to 31/12/2021 and 01/01/2020 to 31/12/2020 by segments

Specification	Sales revenue	Structure of revenue	Sales revenue	Structure of revenue
	01/01/2021 – 31/12/2021	in %	01/01/2020 – 31/12/2020	in %
<b>Sale of construction and assembly services:</b>	<b>2,245,136</b>	<b>89.6%</b>	<b>1,079,993</b>	<b>86.9%</b>
- residential buildings				
- public buildings	381,185	17.0%	332,104	30.8%
- production and service buildings	522,103	23.3%	107,512	10.0%
- road-engineering works	1,341,848	59.8%	640,377	59.3%
<b>Property development activity</b>	<b>146,374</b>	<b>5.8%</b>	<b>114,584</b>	<b>9.2%</b>
<b>Activities connected with lease of investment property</b>	<b>42,091</b>	<b>1.7%</b>	<b>32,877</b>	<b>2.6%</b>
<b>Other</b>	<b>71,967</b>	<b>2.9%</b>	<b>15,449</b>	<b>1.2%</b>
<b>TOTAL</b>	<b>2,505,568</b>	<b>100%</b>	<b>1,242,903</b>	<b>100%</b>

The value of the Group's revenue in 2021 as compared to 2020 increased by 102%. This was mainly due to the fact that the Group achieved significantly higher revenue from the sale of construction and assembly services (increase by 108% y/y), mainly in the segment of production and service buildings (increase by 385% y/y) and engineering and road works (increase in sales revenue by approx. 110% y/y).

This also affected the Group's sales structure, which changed compared to the analogous period in the previous year. The main share in the Group's sales structure was still represented by construction and assembly services, accounting for approx. 89% of total sales (an increase in the share of the Group's total revenue by 2.7 p.p.).



Among the revenue from construction and assembly services, the highest revenue was generated by the sale of services in the segment of engineering and road works, accounting for approx. 60% of those services (an increase in share in the revenue by 0.5 p.p.) and production and service buildings generating approx. 21% of revenue from the sale of those services (an increase in share by approx. 13 p.p. year-on-year).

Revenue from development activities increased by 28%, but due to the increase in the scale of the Group's operations, the share of this revenue in total revenue decreased by approx. 3.4 p.p. Revenue from development activities resulted from the sale of 393 residential units and houses.

The Group's revenue from lease of investment properties in 2021 increased by approximately 28%; similarly to the development business, the share of this revenue in the Group's total revenue also decreased (decrease by 1 p.p. y/y).

The retail property lease market where the Company operates was heavily affected by the outbreak of the COVID-19 pandemic last year and this year - during the periods from 14 March to 3 May 2020, 7 November to 28 November 2020, 28 December 2020 to 31 January 2021 and 15 March to 28 May 2021, the majority of lessees in retail facilities over 2,000 sq.m. were unable to operate and landlords were not entitled to collect rent during this period.

At other times, when most of the shops in the shopping centres reopened, traffic in the malls was significantly less than before the pandemic broke out. The decline in the number of visitors to shopping centres is mainly influenced by factors such as fears of COVID-19 infection and reduced spending on clothing and accessories due to lower population mobility and deteriorating consumer sentiment.

Marywilka 44 Sp. z o.o. also recorded a significant drop in footfall during the year. A decrease in the number of visitors translates into sales revenue achieved by the Company's lessees which translated into the amount of rents generated and the level of commercialisation of the managed facilities.

The second half of 2021 brought significantly higher revenue and better segment results than the first half of the year, primarily due to significantly less stringent restrictions and no statutory trading ban. If the trend continues and the situation related to the COVID-19 virus pandemic stabilises, we can expect further growth in revenue and segment results.

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

- the advanced stage of execution of road construction contracts e.g. construction of part of the A1 motorway, a part of the S1 expressway (Węgierska Górka bypass), Olesno bypass;
- significant growth in the number and value of short-term warehouse and logistics projects executed mainly for companies from the Panattoni Group (in 2021 the Company has secured 19 contracts in the aforementioned segment for a total value of approx. PLN 1 billion);
- execution of significant contracts for public utility buildings (e.g. city stadium in Łódź, city stadium in Płock, airport terminal in Radom);
- the easing of COVID-19 pandemic-related restrictions in the second half of 2021 resulting in reduced revenue in the investment property lease segments;
- execution by MIRBUD S.A., commissioned by JHM DEVELOPEMENT S.A., of new development projects in Katowice, Konin, and Łódź (approx. PLN 75 million revenue, subject to consolidation exclusion);
- reporting for the first time in the other material sales segment (including bitumen);
- concentration of MIRBUD S.A. on the implementation of the most profitable, prestigious projects.

Table: Profitability for MIRBUD S.A. Capital Group in the periods from 01/01/2021 to 31/12/2021 and 01/01/2020 to 31/12/2020 by segments

Specification	Profit/loss on sales 01/01/2021 – 31/12/2021	Sales profitability in %	Profit/loss on sales 01/01/2020 – 31/12/2020	Sales profitability in %
<b>Sale of construction and assembly services:</b>	<b>172,043</b>	<b>7.7%</b>	<b>102,847</b>	<b>9.5%</b>
- residential buildings				
- public buildings	37,377	9.8%	27,949	8.4%
- production and service buildings	15,015	2.9%	17,196	16.0%
- road-engineering works	119,651	8.9%	57,702	9.0%
<b>Property development activity</b>	<b>33,581</b>	<b>22.9%</b>	<b>27,722</b>	<b>24.2%</b>
<b>Activities connected with lease of investment property</b>	<b>22,882</b>	<b>54.4%</b>	<b>5,555</b>	<b>16.9%</b>
<b>Other</b>	<b>3,094</b>	<b>4%</b>	<b>1,182</b>	<b>7.7%</b>
<b>TOTAL</b>	<b>231,600</b>	<b>9.2%</b>	<b>137,306</b>	<b>11.0%</b>

The Group achieved a positive financial result on sales in all its segments of activity. Compared to 2020, the profitability of the Group's sales in 2021 decreased by 1.8 p.p. which was mainly due to lower profitability in the Group's core business segment, i.e. construction and assembly services (decrease in profitability level by 1.8 p.p.), and property development (decrease in profitability level by 1.3 p.p.).

The sales result level was also affected by the change in the recognition by MARYWILSKA 44 sp. z o.o. of the settlement of costs relating to long-term lease agreements for land located in Warsaw at ul. Marywilska. From the beginning of 2021, the Company recognises costs arising from these contracts in accordance with IFRS 16 "Leasing". Thus, until the end of 2020, all fees under these contracts (lease costs) were recognised in core operating expenses. From the beginning of 2021, payments under these contracts are classified as costs of other operating activities (in the part represented by the value of revaluation write-downs of investment properties - leased properties are classified as investment properties) and as financial costs (in the part concerning the interest part of the lease instalment). Accordingly, since the first half of the year, expenses related to lease contracts have not been charged to the result on sales, but only affect the operating result and lower items of the profit and loss account.

Assuming the methodology of profitability calculation applied by Marywilska 44 sp. z o.o. for the previous period, the total profitability of the MIRBUD Capital Group for 2021 would be 8.7%

It is worth noting that despite the progressive increase in the prices of materials and subcontracting services in 2020-2021, the Company managed to maintain a high level of profitability in the segments of engineering and road works and public utility buildings. The decrease in profitability in the segment of production and service buildings was due to the loss incurred in 2021 on a single contract, ended in 2021, for the construction of a logistics hall in Września near Poznań for vidaXL.

Stabilisation of the results of the Group operating mainly in the construction market is achieved through diversification of its activities, in particular through high profitability of sales in the property development segment and gradually increasing profitability of the property lease business after the pandemic.

## 4.6. Information on sales and supply markets

### 4.6.1 Customers

#### MIRBUD S.A.

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

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

Due to the COVID-19 pandemic the situation in the construction market in the first half of 2021 was difficult for construction companies. Although cases of disease and quarantine have not significantly affected the timeliness of project execution, the observed economic downturn has a negative impact on the number of construction projects commenced. Private investors are holding back from starting their investments due to the uncertain economic and epidemiological situation, the unstable level of material prices, and the difficult access to capital.

The unstable level of prices for materials and services, as well as the increase in aggressive competition between contractors in the medium and long term, may adversely affect the profitability of contracts executed in 2021 and beyond, and concluded on the basis of price levels which do not take into account increases in execution costs.

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

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

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

In the period from 1 January to 31 December 2021, the Company participated in 110 non-public tender procedures and 49 public tenders in Poland with a total value of PLN 16.4 billion. 29 of them ended with the selection of the Issuer's bid.

In 2021, the Company generated over 10% of its sales revenue with the following customers: General Directorate for National Roads and Motorways (41%), entities from the Panattoni Europe Capital Group (total approx. 19%), PPL Radom (8%) and from the subsidiary, JHM DEVELOPMENT (6%).

## **KOBYLARNIA S.A.**

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

- public sector entities - subject to the provisions of the Public Procurement Law,
- private sector entities.

The vast portion of the Company's revenue was generated from construction services performed for public sector entities (mainly the General Directorate for National Roads and Motorways).

At the end of the reporting period, Kobyłarnia S.A. holds a filled order portfolio for the years 2022-2025 with a total value of over PLN 2 billion net.

## **JHM DEVELOPEMENT S.A.**

Due to the area of operations of JHM DEVELOPEMENT S.A., it can be said that the Company has a greatly diversified group of customers. Residential unit buyers form a diverse group of unrelated entities and individuals.

Due to the large number of customers, there is no dependence on any Customers of the Group companies' services.

## **MARYWILSKA 44 sp. z o.o.**

### **Retail property lease segment**

In terms of leasing for retail and service purposes, the Company's core business was the management of the MARYWILSKA 44 shopping complex, and at the end of the year its activity was extended by the management of shopping facilities in Starachowice and Rumia.

Due to the fact that the Company has purchased new properties as of the end of 2021 and due to the size of these facilities compared to the one in Warsaw, the Company's primary market remains that of Warsaw and surrounding areas. However, the Company's development strategy provides for cooperation with entities operating both in the capital city market and on a nationwide scale. Customers of services provided by the Company, i.e. lease services, can be divided into two groups:

- small business operators;
- retail chain operators, active nationally or regionally.

Due to the large number of potential lessees in both the MARYWILSKA 44 Shopping Complex and the shopping park in Rumia, as well as the diversity of goods and services they offer, the Company is not directly dependent on any of its customers.

In the case of the retail pavilion in Starachowice, the lease is addressed exclusively to one lessee from the home and garden sector. However, if the agreement with this lessee is terminated, there is no obstacle to concluding an agreement with another large retail chain operating in this or another industry (e.g. in the area of food or electronic products sales).

To sum up, as part of its portfolio, the Company provides services of lease of utility premises for retail, catering, service and entertainment activities. The Company's objective is to successfully attract and meet the growing needs of potential customers.

Difficult times in the retail leasing market starting with the outbreak of the COVID-19 pandemic in 2020 and an increase in the number of units available for lease are forcing decisions to create or develop new services in line with current standards in the market for this segment.

The retail area lease market has become highly competitive and subject to great uncertainty as to its growth prospects. In the current economic situation and legal environment, acquiring new lessees and maintaining a high commercialisation rate has become particularly difficult and requires an innovative approach, including offering flexible contractual terms or seeking lessees from new segments. At the same time, potential lessees are increasingly demanding and aware of their negotiating power.

Since the beginning of its operations, the Company recognises the needs of lessees and strives to implement projects which meet the expectations of potential lessees and customers. Retail units within the MARYWILSKA 44 shopping complex may change their space size depending on the lessees' needs. The retail park in Rumia also offers the possibility of combining or dividing retail premises.

The Company conducts constant monitoring to expand the group of its customers, mainly in the Mazowieckie and Łódzkie Voivodships (facilities in Rumia and Starachowice are fully commercialised).

Maintaining the high occupancy rate of retail space in the MARYWILSKA 44 Shopping Complex in 2021 was a major challenge. The Company managed not only to reach an agreement with the majority of existing lessees, but also to acquire new ones, which contributed to and increased the ratios compared to last year. Since the pandemic began, the Company's priority has been to maintain positive relationships with its lessees, translating into the mentioned strong commercialisation results, which will result in increased revenue in future periods.

### **Warehouse property lease segment**

In connection with the acquisition of a warehouse property located in Ostróda by the S7 expressway in December 2020, as of 2020 the Company has become a participant of the new warehouse property lease market. The Company's customers have thus become such entities as:

- industrial operators looking for space for warehousing purposes;
- logistics and transport service providers looking for space to carry out their core activities: sorting, storage, warehousing;
- retail operators looking for space to store and stock goods;
- other entities looking for space to provide entertainment and leisure, light manufacturing and other services, among others.

Currently, the main lessee of the Ostróda property is a company operating in the field of furniture and interior design. The company in question uses the leased space for the purpose of storing its products.

Marywilka 44 Sp. z o.o. is currently conducting operations to commercialise the remaining area within the facility. Most of the area of the property will be leased for warehousing purposes, while the remainder can be used for entertainment, retail or manufacturing activities. The Company also has office and recreational spaces.

Attracting new lessees is a difficult task due to the current economic situation and the uncertainty of pandemic developments. As a result, the Company has a flexible approach to the possibility of leasing the indicated space, adapting the facility to the required technical parameters or to the contractual terms.

The property located in Ostróda is situated in an area with low saturation of high-quality warehouse space, which will translate into better opportunities to attract lessees.

The Company's objective remains to secure long-term, reliable lessees for the entire area available within the facility located in Ostróda.

### **Other companies of the MIRBUD Group**

There is no dependence on any customers of services.

#### **4.6.2 Suppliers**

##### **MIRBUD S.A. and KOBYLARNIA S.A.**



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

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

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

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

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

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

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

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

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

## JHM DEVELOPMENT

The Company does not have any suppliers in the traditional sense of the word. It cooperates with a number of entities on the Polish market on development and commercial projects. These entities are banks providing design financing, construction companies performing construction and finishing works and architectural companies and entities providing additional services, e.g. marketing. In each of the above mentioned activities there is considerable competition on the Polish market.

In 2021, most of the development projects of JHM DEVELOPMENT S.A. under the terms of the general contracting agreement were performed by MIRBUD S.A., currently the sole shareholder of the Company. The acquisition value of inventories and other costs of activated current assets amounted to PLN 74.5 million in this period, including the value of construction and assembly works amounting to PLN 83.5 million net.

#### **MARYWILSKA 44 sp. z o.o.**

In the course of its business, the Company uses services of an external entity to provide maintenance services of its properties, i.e. security services, cleaning services, technical and maintenance services, additional services supporting marketing activities and construction services. Thanks to a thorough analysis, and sensible, proven and consistent implementation, we were able to develop a solid cooperation with well-established suppliers who meet strict requirements set by the Company.

In selecting suppliers for the aforementioned services, the Company's representatives conduct commercial negotiations for the delivery of individual services and the purchase of materials and services necessary to conduct the Company's operations. The Company cooperates with a number of entities on the Polish market under long-term contracts.

On the other hand, the main suppliers of utilities, including gas and electricity, are evaluated in particular according to the criterion of price level and payment term, and the supplier's ability to meet the required demand (including network availability).

Due to significant competition in the Polish market among the aforementioned suppliers, there is no dependence on any of them. There is significant competition in the Polish market for the services used by the Company. In the opinion of the Company's Management Board, none of the suppliers is able to adversely affect, directly or indirectly, the Company's economic development. This ensures that the services provided are delivered to the highest standards, with guaranteed continuity of supply.

#### **Other companies of the MIRBUD Group**

Other companies of the MIRBUD Capital Group use procedures for selection of suppliers based on solutions provided by MIRBUD S.A. The Companies' suppliers are from the domestic market and there is no dependence on any one supplier.

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

#### **MIRBUD S.A. and KOBYLARNIA S.A.**

The breakout of the COVID-19 coronavirus pandemic did not significantly affect the operations of MIRBUD S.A. and KOBYLARNIA S.A. Despite the economic downturn in the industrial and service sectors, the government has chosen not to impose stringent restrictions on the construction industry, characterised by a lower risk of transmitting the virus among outdoor construction workers. The economic collapse following the introduction of restrictions has meant that the construction sector has been identified as the branch of the economy retaining the position of the flywheel nullifying the effects of the crisis.

As a result of the pandemic, both companies experienced slight delays in the supply chain on some construction sites, but these did not affect the postponement of the deadlines set in the work schedules.

### **JHM DEVELOPMENT S.A.**

The introduction of the state of epidemic threat did not necessitate limiting the operations of JHM DEVELOPMENT S.A., however, it affected the Company's operations and its customers' behaviour, including primarily the sale of products from the Company's portfolio. The credit procedures related to mortgage lending and the periods required for issuing administrative decisions by state authorities to commence and carry out development project processes were extended. Despite these impediments, the favourable buying trend in the housing market continued throughout 2021.

As of the date of this report, no direct threat to the operations of JHM DEVELOPMENT S.A. is perceptible, and the indirect impact is currently very difficult to assess. The Company's Management Board monitors and analyses the market situation on an ongoing basis, adapting its operating strategy to external conditions.

### **Marywilka 44 Sp. z o.o.**

2020 and 2021 were a special period in the history of this Company's operations due to the development of the COVID-19 virus pandemic and related business restrictions which translated into the Company's financial results in 2021.

Nationwide restrictions on business activity, including a ban on commercial activities for the majority of stores in facilities exceeding 2,000 sq.m. introduced by the Act of 2 March 2020 on special solutions related to preventing, counteracting and combating COVID-19, other infectious diseases and the resulting crisis (Journal of Laws of 2020, item 374, as amended) were the regulations which prevented the collection of rent payments from most lessees during the periods from 28 December 2020 to 31 January 2021 and from 15 March 2021 to 4 May 2021. During these periods, the Company had very limited ability to derive revenue from its core business of leasing retail space.

In addition to an almost complete ban on operations in retail facilities with an area exceeding 2,000 sq.m. during the indicated periods, individual groups of lessees of the shopping complex area were subject to the following additional restrictions:

- from the beginning of 2021 until 5 June 2021, lessees operating in the entertainment industry could not operate and thus were not required to pay rents for the space during the ban period;
- from the beginning of 2021 until 28 May 2021, lessees operating in the fitness industry could not operate and thus were not required to pay rents for the space during the ban period;
- from the beginning of 2021 until 28 May 2021, catering establishments which constitute a significant group of the Company's lessees, were allowed to sell meals exclusively as takeaway, which translated significantly into the rent fees paid by this group of lessees;
- from the beginning of 2021 until 28 March 2022, a number of restrictions were in force, affecting the functioning of the Company's lessees from almost all branches. These restrictions related to the obligation to wear protective masks, the limit of persons allowed within a given space or the sanitising obligation; the above translated into a reduced number of people visiting retail facilities.

All the above restrictions had a strong negative impact on the level of sales revenue as well as on the financial results achieved by the Company.



At the same time, due to significant social concerns regarding the COVID-19 virus infection, restrictions in the movement of people, introduced sanitary recommendations and regulations, as well as restrictions in access to entertainment and catering establishments, the number of people visiting the MARYWILSKA 44 Shopping Centre and MARYWILSKA 44 Shopping Park dropped significantly. This was especially evident in the first half of 2021. Decrease in the number of customers in the shopping complex was the basis for granting rent reductions to lessees operating both in the shopping centre and the retail park, which also had a significant negative impact on the Company's revenue and financial results.

The situation improved in the second half of the year, when the number of restrictions was significantly lower and there were no periods of complete ban on trade in facilities with area exceeding 2,000 sq.m. The number of customers visiting the centre gradually increased, making it possible to gradually abandon the policy of providing rent rebates. By the end of the year, rebates were only given to selected lessees operating in the industries hardest hit by the pandemic.

At the same time, in 2021 the Company for the first time recorded significant revenue from the activity consisting in lease of space for warehouse purposes, which resulted from the acquisition of property for this purpose located in Ostróda. Total revenue from warehouse lease during the year amounted to over PLN 4.6 million and we expect this value to increase in the following years. Leasing for warehouse purposes provides an additional, stable source of revenue regardless of the restrictions introduced as a result of the COVID-19 virus pandemic.

#### **JHM 1 Sp. z o.o.**

In 2021, JHM 1 Sp. z o.o. managed the property located in Starachowice at ul. Radomska, leased to a single lessee, BRICOMARCHÉ conducting retail activity in the construction industry. The building materials trade sector in which the lessee operates has so far not been subject to long-term COVID-19 bans on business operations. This therefore did not have a significant impact on the Company's sales revenue. During the reporting period, rents were invoiced in accordance with the agreement and were paid without major disruptions.

#### **JHM 2 Sp. z o.o.**

Restrictions on business operations due to the COVID-19 pandemic have affected lessees at the Centrum Janowo facility to varying degrees. The food sector, where the BIEDRONKA retail chain operates, has not been subject to any operating restrictions.

The bans on activities introduced in connection with the COVID-19 outbreak in Poland affected several lessees running businesses in Centrum Janowo, including fitness centre, tanning salon and cosmetology centre.

As of 31 December 2021, the fitness facility as well as the tanning salon are not subject to the ban on operations. During the period of ban on operations, no rent or service fees were charged to lessees in these industries. When the restrictions were lifted, terms were agreed with these lessees to temporarily reduce rents, allowing them to maintain liquidity and the ability to pay rents during their return to the expected level of activity.

The other lessees of Centrum Janowo were able to operate almost continuously during the reporting period.

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

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

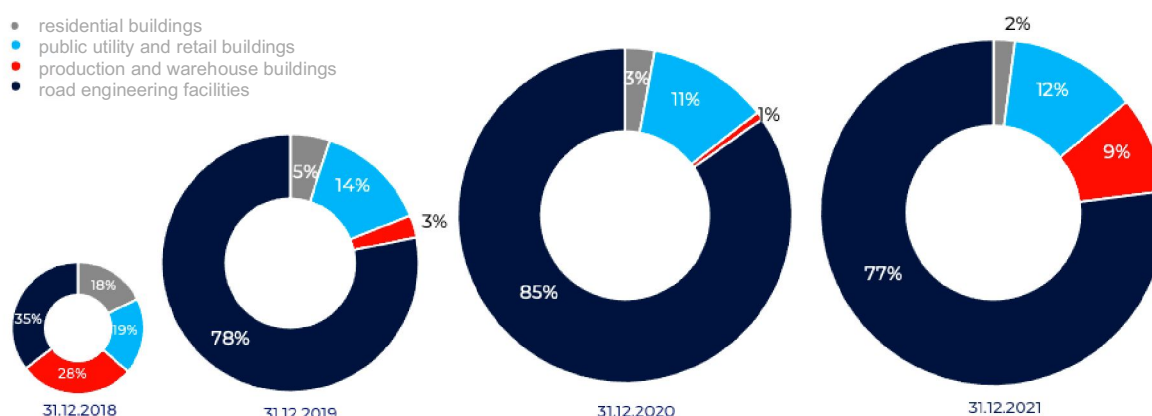
## MIRBUD S.A.

In the coming years, the Company will continue to operate in all major sectors of the construction market throughout the country. As at the day of preparing the report, in the portfolio of MIRBUD S.A. the value of contracts to be executed in 2022 and the following years is approx. PLN 3.2 billion, with approx. PLN 1.8 billion for 2022. As at the date of this report, the Company is awaiting the signing of further contracts for which its bid has been selected as the most advantageous one.

In 2021, the engineering and road works segment was the dominant contributor to the Company's revenue (generating approx. 42% of revenue). A significant increase compared to 2020 was recorded in the revenue structure of the industrial and warehouse construction (approx. 39%). Based on the current order portfolio, the Management Board anticipates that the Company will realise revenue in a similar structure in 2022 as well.

In terms of the order portfolio held by the MIRBUD Capital Group, the dominant area is the construction of roads and bridges, followed by public utility buildings, warehousing and production facilities and residential buildings.

Chart: Change in the structure of the MIRBUD CG's order portfolio between 2018 and 2021



An increase in labour costs and prices of construction materials, as well as macroeconomic and geopolitical factors give grounds for caution in forecasting the market situation of MIRBUD S.A. in the coming year. On the other hand, the continued extensive investment programmes at the government level and the expected increased investment activity of local governments and private investors (including, above all, developers of warehouse space) give reason for moderate optimism in forecasting the situation of MIRBUD S.A.

The order portfolio, filled until 2025, allows to assume that in subsequent years MIRBUD S.A. revenue will remain at unprecedented levels of PLN 1.5 billion per year.

The most important challenge for the Company will be to further increase the scale of its operations while maintaining the profitability of its existing contracts.

## JHM DEVELOPMENT S.A.

In the coming years, the Company plans to further expand the scale of its property development operations by focusing on the popular residential market segment, gradually moving from mid-sized cities with high growth potential to development projects in large cities.

Further development of development activities in medium-sized cities, especially those located near larger urban agglomerations, enables the Company to benefit from its stable position and experience in

these markets. Such locations allow for profitable execution of property development projects with a reduced level of risk. In medium-sized cities, land prices are moderate, so the Company can more easily accumulate its own contribution to the purchase of land and to the commencement of the investment. Such locations often have more limited competition than Poland's largest metropolitan areas. Examples of implementation of this concept are the projects completed in previous years in cities such as Konin, Skierniewice and Żyrardów.

At the same time, the Company intends to carry out development projects in large cities which are characterised by higher demand and higher prices of residential space. Projects implemented in large cities offer the greatest potential for the Company to increase the scale of its operations. A project of this type has already completed in Katowice with other projects being executed in Bydgoszcz, Łódź and Gdańsk.

As of 31 December 2021, the land bank held by the Company includes over 58.6 hectares of land for multi-family and commercial development.

In order to supplement the land bank, the Company is systematically looking for new land for multi-family housing in locations consistent with its long-term development strategy.

For the years 2022 - 2024, on the basis of the owned and continuously developed land bank, Spółka plans to start the implementation of another 14 projects in the investment area covering multi-family and apartment-type housing, in total 2,416 premises with a usable area of 117.2 thousand sq.m. PUM.

Continuation of subsequent stages of housing estates on the markets where the developer has been present for years, as well as the launch of activities in new markets, including large cities, will enable to gradually increase the unit sales level achieved in 2021 in the coming years.

Detailed data on investments launched in the coming years are presented in the table below.

Table: List of development projects planned for implementation in the years 2022-2024

Item No.	Location	The plot of land area [ha]	Housing type	PUM [sq.m.]	Number of premises
1	KATOWICE, ul. Mikusińskiego	0.2968	multi-family	2,500	50
2	SKIERNIEWICE ul. Armii Krajowej Stage I	0.6127	multi-family	7,600	165
3	JASTRZĘBIA GÓRA, ul. Jantarowa Stage I	0.6119	apartments	4,046	115
4	KONIN, ul. Nefrytowa	0.8497	multi-family	7,800	158
5	POZNAŃ, ul. Smoluchowskiego Stage I	1.3219	multi-family	14,371	258
6	JASTRZĘBIA GÓRA, ul. Jantarowa Stage II	0.7023	apartments	4,568	132
7	SKIERNIEWICE ul. Armii Krajowej Stage II	0.6127	multi-family	7,600	165
9	KATOWICE, ul. Piaskowa	1.1438	multi-family	15,000	320
8	SKIERNIEWICE, ul. Sobieskiego	0.2071	multi-family	6,971	117
10	ŁÓDŹ, ul. Harcerska	0.8537	multi-family	8,300	173

11	SKIERNIEWICE ul. Nowobielańska	0.3142	multi-family	4,500	90
12	ŁÓDŹ, Al. Politechniki Stage I	1.8335	multi-family	12,506	250
13	POZNAŃ, ul. Smoluchowskiego Stage II	0.4364	multi-family	6,320	121
14	ŁÓDŹ, Al. Politechniki Stage II	2.2144	multi-family	15,104	302
<b>TOTAL</b>		<b>120,110</b>		<b>117,186</b>	<b>2,416</b>

By observing customer behaviour and the actions of the competition, the Company flexibly adjusts its sales methods to market expectations. In the cities being the Company's focus area, its portfolio includes apartments ready for handover and apartments in projects under construction. The portfolio is supplemented with apartments in tourist destinations purchased for investment purposes, i.e. the *Apartamenty Zakopiańskie* (housing estate) project in Zakopane under construction and the project in Jastrzębia Góra planned for execution.

The Management Board of the Company believes that one of its priorities, which translates into generating significant value, is operational optimisation. The Company's objective is to minimise the regular level of employment and to limit it mainly to experienced employees, in particular to higher level staff, who are able to efficiently manage the implemented projects on the basis of modern IT systems. This was also the purpose of the implemented project to implement a modern SAP information system in the Company. The actions taken allow to minimise fixed costs and translate into the optimisation of the operational profitability of the Company.

## KOBYLARNIA S.A.

The Company has a stable and secure order portfolio for 2022-2025. Until the date of this report, Kobylarnia S.A. has signed construction contracts with their value of remaining sales amounting to over PLN 2 billion net. The Company's portfolio includes contracts in the build and design & build formula throughout Poland, with the General Directorate for National Roads and Motorways and Voivodship Roads Authority as the principal contracting authority.

The Company's development prospects depend to a large extent on the number and value of road projects carried out in Poland, including the implementation of:

- the National Roads Construction Programme until 2030. The amount of about PLN 292 billion will be allocated for the execution of the investments under the new programme, including approx. PLN 187 billion for new tasks, while PLN 105 billion will be allocated for continued tasks.
- the Program for Development of the National Road Network until 2030. Its scope concerns comprehensive maintenance or reconstruction of the national road network under the management of the General Directorate for National Roads and Motorways. The programme assumes adaptation of the national road system to vehicle traffic with a single axle load of up to 11.5 tonnes, maintenance of the required technical condition of the existing infrastructure and intensification of measures reducing the negative environmental impact of the road infrastructure. The programme also envisages, i.a., the reconstruction of intersections and supplementing the infrastructure with the necessary elements serving the vulnerable traffic participants. Approximately PLN 64 billion has been earmarked for its implementation until 2030.

The scale of road projects planned for execution is described in item 4.1, Market prospects.

The Company also actively seeks new contracts by participating in tenders. In the implementation of the planned strategy and the extension of the scope of activities, as well as strengthening its position on the market, it is particularly important to create a consortium of companies in order to participate in tenders for construction and assembly services.

Factors building the Company's value will include increased effectiveness of executed construction contracts and acquisition of new competencies in prospective areas of the construction market. In addition to market activities, the Company will continue activities aimed at reducing costs through effective use of the integrated management system.

### **MARYWILSKA 44 sp. z o.o.**

In the opinion of the Company's Management Board, the main factors which will affect the development of operations and the results achieved in 2021-2023 and beyond are:

- the course of the COVID-19 pandemic in Poland and worldwide;
- the introduced restrictions on conducting business by centre lessees as a result of the COVID pandemic;
- consumer behaviour - potential change in shopping trends by reducing time spent in shopping malls;
- maintaining high commercialisation rate of the MARYWILSKA 44 shopping complex;
- effective commercialisation of a warehouse centre in Ostróda
- the economic situation on the Polish market - including the economic situation in the sector of lease of retail and warehouse space;
- the level of industrial production and economic activity of the population which translates into demand for warehouse space.

The Company's strategy for the coming year is to maintain a high level of commercialisation of the shopping complex while gradually reducing the discounts granted to lessees, which will ensure a gradual return to the level of revenue and profitability realised in 2019.

In the area of the new business segment involving the lease of space for warehousing purposes, the Company's objective remains the full commercialisation of the facility and its related full adaptation to the requirements of lessees.

The Company will continue to actively manage its current and future portfolio of revenue-generating commercial properties to maximise operational efficiency and effectiveness, diversify lessee risk and increase lease revenue. The Company intends to increase the value of its property portfolio through the management of its assets.

These activities include:

- improving and maintaining the ratios of space leased in the MARYWILSKA 44 shopping complex, while maintaining the best possible lease conditions on the market;
- commercialising the purchased warehouse facility located in Ostróda, by the S7 expressway;
- improving debt collection by maintaining good relations with lessees and working with them to improve their performance;
- taking action to ensure low and economically effective costs through the use of energy-saving technologies and optimisation of the costs of repairs and maintenance of property;
- optimising administrative costs wherever possible;
- optimising financing costs by reducing the scale of debt and its refinancing, if possible;

- conducting systematic promotional and advertising activities in accordance with an internal marketing plan, the main aim of which is to support the lease of retail premises, maintaining a good level of commercialisation of retail facilities, and maintaining a high customer visit rate;
- strengthening the leader's position on the property market.

The Management Board believes that active management of properties is an extremely important element of the Company's strategy. The Company will also pursue other opportunities to add value to its business as such opportunities arise. The Company finances its development and current activities with own assets and with the use of bank credits. The amount of funds raised is sufficient to realise the Company's set and planned objectives and ensure the Company's financial security in the near future.

In view of the state of epidemiological threat introduced in the past years, the Company's investment plans have been spread over a longer period of time to enable their implementation without excessive financial burdens. In accordance with the adopted development strategy, the Company has been and will be implementing the following investment tasks:

- continuation of replacement of the existing interior lighting of the MARYWILSKA 44 Shopping Centre building with LED lighting;
- continuation of current renovations in the common parts of the MARYWILSKA 44 Shopping Centre (replacing floors, painting);
- continuing repair of the roof membrane;
- continuing repair of linear drainage in the MARYWILSKA 44 shopping complex car park;
- overhaul and repair of parts of air-conditioning units;
- modernisation of emergency lighting of the MARYWILSKA 44 Shopping Centre;
- modernisation of the CCTV video surveillance system;
- providing equipment and labelling and personal protective equipment in accordance with the guidelines of the Chief Sanitary Inspector.

Despite the pandemic, the Company's Management Board is pursuing the Company's adopted development strategy. The Management Board's strategy is to ensure sustainable growth in the Company's value by further developing its operations, increasing its market share and strengthening its market position while focusing on the efficiency of its financial processes.

The Management Board pursued and defined the Company's main strategic goals for the coming years:

- aiming to maximise the centre's commercialisation rate while maintaining attractive rent rates;
- strengthening the position on the Warsaw property market;
- increase in profitability of MARYWILSKA 44;
- continuing to build the value of its own brands based on the experience gained.

### **Special purpose vehicles JHM 1 Sp. z o.o., JHM 2 Sp. z o.o.**

As a result of the Group's reorganisation and the sale of property they previously managed to MARYWILSKA 44 sp. z o.o., the Companies do not conduct active operations.

With effect from 1 February 2022, the Extraordinary Meeting of Shareholders of the Company adopted a resolution to put JHM 2 Sp. z o.o. into liquidation. As of this date, the company is named: JHM 2 Sp. z o.o. w likwidacji.

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

Information on the Issuer's investments, including equity investments in related parties is presented in Notes 2 to 4 to the Consolidated Statements of the MIRBUD Capital Group for the period from 01/01/2021 to 31/12/2021.

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

##### **Construction and assembly activity**

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

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

##### **Property development activity**

In the years 2022 - 2023, JHM DEVELOPMENT S.A. will continue with the commenced projects and begin execution of new property development projects located on the land owned in the land bank (including projects in Katowice, Łódź, Gdańsk, Konin, Żyrardów, Sochaczew, Bydgoszcz and Zakopane), as well as on the plots of land purchased in 2021, located in Gdańsk, Żyrardów, and then in Skierniewice, Katowice and Poznań, for which preparation of the documentation necessary to launch the development project is currently underway.

The date of commencement of new projects always depends on the assessment of the market situation in the developer segment and the availability of financing for the execution of these projects with bank credits or loans. These plans are carried out in accordance with the adopted strategy in many locations, which will allow to supplement the attractive market offer of the Company and will give the possibility of further increase of the sales volume.

##### **Retail space lease activity**

In view of the introduced state of epidemiological threat, the Company's investment plans concerning the modernisation of the MARYWILSKA shopping complex have been spread over a longer period of time to enable their implementation without excessive financial burdens. In accordance with the adopted development strategy, the Company has been and will be implementing the following investment tasks:

- continuation of replacement of the existing interior lighting of the MARYWILSKA 44 Shopping Centre building with LED lighting;
- continuation of replacement of the existing interior lighting of the MARYWILSKA 44 Shopping Centre building with LED lighting;

- continuation of current repairs in common areas of the MARYWILSKA 44 Shopping Centre (current repairs of walls, ceilings, painting);
- renovation of the roof, including replacement of the roof thermal insulation layer with mineral wool over the catering part of the MARYWILSKA 44 Shopping Centre;
- current maintenance and repair of air conditioning equipment as recommended and requested by periodic inspections;
- providing equipment and labelling and personal protective equipment in accordance with the guidelines of the Chief Sanitary Inspector.

In addition, depending on the economic and financial situation influenced mainly by COVID-19 restrictions, the following tasks within the retail complex can be carried out:

- modernisation of emergency lighting of the MARYWILSKA 44 Shopping Centre;
- continuation of current renovations in the common parts of the MARYWILSKA 44 Shopping Centre (replacing floors in hall B, painting);
- modernisation of the CCTV video surveillance system;
- repair of the surface of eco car park at the level of halls A, B and C;
- construction of fencing for outdoor areas;
- continuation of repair of linear drainage in the MARYWILSKA 44 shopping complex car park.

The acquisition of the property in Ostróda for the purpose of leasing warehouse space involves the need to adapt to this function. It is a high-class facility, in a very good technical condition, but its primary and original purpose was trade fair and exhibition activities. Accordingly, in the first half of 2021 the Company incurred expenses related to the adaptation of the facility for warehousing purposes.

The remaining expenditure on adapting the purchased properties to warehousing operations is no longer as high and will be covered by revenue from the lease of space within the property located in Ostróda. Currently, the Company will focus on projects concerning the functioning of the retail complex and cost optimisation of activities.

#### 4.11. Risk Factors

Risk group	Risk	Possibility of occurrence	Relevance to the Group's activities	Effect of risk on financial result	Effect of risk on equity
<i>Risks related to military conflict in Ukraine</i>	<b>Administrative restrictions on carrying out construction and assembly activities</b>	average	high	high	high
	<b>Manpower availability and supply chain disruption</b>	high	high	high	average
<i>Epidemiological risk</i>	<b>Administrative restrictions on carrying out construction and assembly activities</b>	average	high	high	high
	<b>Manpower availability and supply chain disruption</b>	average	average	high	average



<i>External financial risks</i>	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
<i>Economic situation risk</i>	change in the macroeconomic situation and economic situation in Poland	high	high	high	average
	in the construction industry	high	high	high	average
<i>Risks related to competition</i>	in the construction industry	high	high	high	high
<i>External legal risks</i>	changes in provisions of law, in particular tax law	average	average	average	average
	related to non-compliance with legal requirements envisaged for the commencement of the investment and with the legal status of the property	low	high	high	average
<i>Risks related to the current activities</i>	related to the implementation of the development strategy	average	high	average	average
	related to financing development with bank credits	high	high	average	high
	related to the building infrastructure	low	average	low	low
	related to liability for breach of environmental regulations	low	average	average	low
	related to penalties for non-performance or untimely performance of orders	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 Group's financial results.

- 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.

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

With regard to the current settlement period, the Management Board of the Issuer does not expect a possible impact of this risk on the financial result and equity of the Issuer.

- As at the report date, in the area of commercial space lease, there is no significant, unfavourable impact of the conflict in Ukraine, which affects the financial results of MARYWILSKA 44 Sp. z o.o.

With regard to the current settlement period, the Management Board of the Issuer does not expect a possible negative impact of this risk on the financial result and equity of the Issuer.

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.

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

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

With regard to the current settlement period, the Management Board of the Issuer does not expect a possible impact of this risk on the financial result and equity of the Issuer.

- As at the report date, in the area of retail space lease, there is no significant, unfavourable impact of the state of epidemic threat, which affects the financial results of MARYWILSKA 44 Sp. z o.o.

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

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

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

## External financial risks

### Financial risk management

The management of the Group's financial resources assumes basing the Group's financing structure on long-term sources of financing. The Group Companies finance their operations in 71% based on foreign capital through:

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

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

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

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

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

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

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

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

### Credit risk management

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

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

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

With respect to entities subject to the provisions of the Public Procurement Law (e.g. 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 Parent Management Board is responsible for managing financial liquidity in the Group. The main objectives of the Group's financial resources and liquidity management are as follows:

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

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

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

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

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

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

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

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

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## Risk of significant changes in interest rates

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

As at 31/12/2021, JHM2 sp. z o.o. and Kobylarnia S.A. entered into interest rate hedging transactions for long-term credits in PLN within the MIRBUD Capital Group. The hedged level of the WIBOR rate is between 1.80 p.p. and 2.05 p.p.

Items exposed to change in interest rates	Cash flow risk		Fair value risk	
	As at:	As at:	As at:	As at:
	30/06/2021	31/12/2020	30/06/2021	31/12/2020
Liabilities under credits and loans	205,260	183,594		
Loans granted				
Other financial assets				
Other financial liabilities	189,637	175,682		
<b>Total</b>	<b>394,897</b>	<b>359,276</b>	-	-

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

In order to carry out a sensitivity analysis for interest rate changes, on the basis of historical changes in value and on the basis of the Company's knowledge and experience of financial markets, reasonably possible interest rate changes were estimated as at 31 December 2021 and 31 December 2020 at the level of -1.0/+1.0 percentage point (as at 31 December 2020 at the same level) for the Polish zloty and the Euro.

The effect of the change in interest rates on the net result and the balance sheet total as at 31 December 2021 and 31 December 2020 is presented below.

Sensitivity analysis for items exposed to change in interest rates	As at: 31/12/2021	Effect on net profit/(loss)		Effect on the balance sheet total	
		increase by 1 p.p.	decrease by 1 p.p.	increase by 1 p.p.	decrease by 1 p.p.
		Liabilities under credits and loans	205,260	-1,663	1,663
Loans granted					
Other financial assets					
Other financial liabilities					
<b>Total</b>	<b>205,260</b>	<b>-1,663</b>	<b>1,663</b>	<b>2,053</b>	<b>-2,053</b>

Sensitivity analysis for items exposed to change in interest rates	As at: 31/12/2020	Effect on net profit/(loss)		Effect on the balance sheet total	
		increase by 1%	decrease by 1%	increase by 1%	decrease by 1%
		Liabilities under credits and loans	183,594	-1,487	1,487
Loans granted					
Other financial assets					
Other financial liabilities	175,682	-1,423	1,423	1,757	-1,757
<b>Total</b>	<b>359,276</b>	<b>-2,910</b>	<b>2,910</b>	<b>3,593</b>	<b>-3,593</b>

### Risk of changes in foreign exchange rates

Within the MIRBUD Group, only MIRBUD S.A. generates revenue in foreign currency. In the first half of 2021, MIRBUD S.A. 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 the first half of 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	
	As at:	As at:	As at:	As at:
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Liabilities under credits and loans	1,388	1,528		
Loans granted				
Trading and other receivables	48,128	6,248		
Trade and other liabilities				
Cash	5,538	3,127		
Other financial assets				
<b>Total</b>	<b>55,054</b>	<b>10,903</b>	-	-

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

In order to carry out the analysis of sensitivity to changes in exchange rates, based on historical changes in value and on the Company's knowledge and experience of financial markets, the changes in exchange rates which are "realistically possible" were estimated at the level of -10%/+10% as at 30 June 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)	As at: 31/12/2021	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	1,388	112	-112
Loans granted					
Trading and other receivables	48,128	3,898	-3,898	4,813	-4,813
Trade and other liabilities					
Cash	5,538	449	-449	554	-554
Other financial assets					
<b>Total</b>	<b>55,054</b>	<b>4,459</b>	<b>-4,459</b>	<b>5,505</b>	<b>-5,505</b>

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	1,528	124	-124
Loans granted					
Trading and other receivables	6,248	506	-506	625	-625
Trade and other liabilities					

Cash	3,127	253	-253	313	-313
Other financial assets					
<b>Total</b>	<b>10,903</b>	<b>883</b>	<b>-883</b>	<b>1,090</b>	<b>-1,090</b>

The Issuer's Management Board estimates that there will be no changes in Euro revenue share in 2022. As at 31/12/2021, the Issuer had approximately 15% of its estimated foreign currency revenue hedged against exchange risk.

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

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 Group Companies try to take into account the market situation by adapting their portfolio to the expected financial and credit capabilities of potential customers.

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

### **Economic situation risk:**

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

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

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

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

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



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

The situation on the property development market in Poland in the period covered by these financial statements affects the operations and financial results of the Group, however, it should be remembered that the economic situation in the property development industry is characterised by cyclicity.

The very good economic situation in the property development industry was influenced by low mortgage rates. Currently, interest rates are rising sharply. This is accompanied by the continuation of many banks' stricter mortgage lending policies. These factors result in many people lacking creditworthiness. As a result of this approach, many potential customers of the developers are not able to obtain the necessary credit to purchase an apartment on reasonable terms.

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

The occurrence in the future of financial and economic crises, recessions or periods of economic slowdown or other factors adversely affecting the property development industry may have a material and adverse impact on the Group's activities, results, financial situation or development prospects.

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

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

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

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

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

### **- sudden changes in housing prices**

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

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

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

Apart from property development activities, an important additional area of the Group's activity is management of shopping halls and lease of retail space. This activity is carried out by a subsidiary, Marywilaska 44. The level of commercial activity and the demand for lease of retail space in the given shopping halls depends on the general macroeconomic situation in a given market, the level of competition and the level of consumption, and in particular the demand for products from the popular segment in a given market.

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

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

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

The economic 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.

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

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

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

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

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

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

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

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

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

The operations of Marywilska 44 are exposed to the same risk in respect of management of retail facilities in Rumia and Starachowice purchased in 2021 from JHM 1 Sp. z o.o. and JHM 2 Sp. z o.o.

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

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

### **External legal risks**

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

The Polish legal system is characterised by a considerable degree of variability and ambiguity of provisions, which applies in particular to tax law. In practice, there are often problems with interpretation, inconsistent court rulings occur, as well as situations when public administration bodies adopt interpretations of legal provision which are unfavourable for the taxpayer and different from the interpretations previously adopted by these bodies.

The occurrence of changes in legal regulations, including those concerning environmental protection, labour law, social security law, commercial law, and in particular tax law, may have an adverse effect on the Group's Companies' operations, financial situation or its development prospects.

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

The implementation of each of the investment projects by the Company requires the fulfilment of the requirements set forth in the law. In most cases, the Company is obliged to obtain various types of permits, which are issued by public administration bodies. Obtaining these administrative acts is a necessary condition for the commencement of the investment process. It should be noted that obtaining all permits and consents requires considerable effort and time. Public administration bodies issuing permits and consents operate on the basis of the provisions of the Code of Administrative Procedure and special acts. In these proceedings, the interest of local communities is taken into account in the first place and a number of planning issues are subject to wide public consultation (e.g. environmental issues). Additionally, lack of even a part of the documentation makes it impossible to commence the

investment process. Moreover, the discovery of any misstatements, either on the part of the Company or in the administrative files, and in particular the existence of any contradictions between them may lead to the delay in the commencement of the investment process. There is also a risk that the already valid administrative decisions will be challenged by resuming proceedings or annulling decisions. Administrative decisions may also be challenged, in whole or in part, and consequently there is a risk that they will be annulled. In areas where local land-use plans have not been adopted, there is also a risk that the Companies will not be able to implement their plans due to difficulties related to the possibility of obtaining a development conditions' decision.

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

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

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

The Polish market and the situation on local markets where the Company operates are subject to constant changes, the direction and intensity of which depend on a number of factors. Therefore, the Companies' future financial performance, development and market position depend on its ability to develop and implement a long-term strategy in an uncertain and changing market environment.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

cannot be precluded that in the future the Group Companies will be obliged to bear the costs of land reclamation, pay a fine for breach of environmental protection regulations, or pay damages.

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

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

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

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

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

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

b) industrial facilities construction,

c) installation works.

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

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

#### **- related to claims against the Companies on account of construction of flats and retail and service facilities, sale of flats, 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 contractors for construction and finishing works. It should be noted that the obligations incurred by the contractors in connection with the execution of the investment (e.g. in relation to subcontractors) may consequently, due to the joint liability of the investor and the contractor for the payment of remuneration, be associated with the creation of claims against the Companies, which may affect the timeliness of the execution of the investment. As a result, the Company, which is accountable to its customers, may incur significant costs of non-performance or improper performance of the contract. It cannot be precluded that in the future customers and business partners of the Companies will also not make claims against them due to hidden defects of the building arising at the stage of construction or finishing works, although according to the standard contracts concluded by the Companies, the costs of repairs of this type of defects are covered by the contractor or its subcontractors. The Companies are also liable to purchasers of 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 Companies, may have an adverse effect on the Group's activities, financial position or its development prospects.

#### - related to the production process

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

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

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

### Capital risk management

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

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

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

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

Calculation of the debt ratio	in PLN thousand	
	As at:	As at:
	31.12.2021	31.12.2020
Total credits	457,112	372,795
Cash and cash equivalents	-467,776	-288,997

<b>Net debt</b>	<b>-10,663</b>	<b>83,798</b>
Equity	582,281	461,610
<b>Total capital</b>	<b>571,617</b>	<b>545,407</b>
<b>Debt ratio</b>	<b>0%</b>	<b>15%</b>

Financial liquidity hedging ratios	in PLN thousand	
	As at:	As at:
	30/06/2021	31/12/2020
Net debt	0	83,798
EBITDA (for the last 12 months)	192,417	98,406
Equity	582,281	461,610
Total assets	2,040,605	1,539,129
<b>net debt/EBITDA</b>	<b>0.0</b>	<b>0.9</b>
<b>equity/total assets</b>	<b>0.3</b>	<b>0.3</b>

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

##### 4.11.1 Credits and loans

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



Table: Liabilities under credits and loans of MIRBUD S.A. as at 31 December 2021 in PLN thousand.

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					
<b>Total credits and loans</b>				<b>49,110</b>	<b>69,551</b>	<b>118,661</b>		

Table: Liabilities under credits and loans of the Companies from the MIRBUD Group as at 31 December 2021 in PLN thousand.

Name of the entity	Obligated entity	Amount of credit, loan acc. to the contract	Currency	Outstanding amount - long-term part	Outstanding amount - short-term part	Interest rate conditions	Repayment date	Security
SANTANDER BANK POLSKA S.A.	JHM Development S.A.	48,291	thousand	38,762		WIBOR 1M + margin	04/11/2023	mortgage on property
Bank Spółdzielczy	JHM Development S.A.	8,823	thousand	7,470	401	WIBOR 3M + margin	31/12/2034	mortgage on property
SANTANDER BANK POLSKA S.A.	JHM Development S.A.	2,000	thousand	388		WIBOR 1M + margin	04/11/2023	mortgage on property
Bank Polskiej Spółdzielczości S.A.	JHM Development S.A.	19,580	thousand	3,288		WIBOR 3M + margin	30/12/2023	mortgage on property
SANTANDER BANK POLSKA S.A.	JHM 1 Sp. z o.o.	2,350	EUR	0	6,384	EURIBOR + margin	31/10/2030	mortgage, sureties of MIRBUD
Bank Ochrony Środowiska S.A.	JHM Development S.A.	31,900	thousand	319		WIBOR 3M + margin	30/06/2024	mortgages on property
Warszawski Bank Spółdzielczy	JHM Development S.A.	7,800	thousand	1,790		WIBOR 3M + margin	30/06/2023	mortgage on property
SANTANDER BANK POLSKA S.A.	MARYWILSKA 44 sp. z o.o.	33,000	thousand	18,593	3,486	WIBOR 3M + margin	02/05/2028	cash deposit, assignment of receivables, registered pledge of a bank account, surety, mortgage
SANTANDER BANK POLSKA S.A.	MARYWILSKA 44 sp. z o.o.	1,400	thousand			WIBOR 1M + margin	30/12/2022	assignment of receivables, registered pledge on bank account
BGK	Kobylarnia S.A.	15,000	thousand			WIBOR 3M + margin	30/11/2022	mortgage, surety of MIRBUD
BGK	Kobylarnia S.A.	6,212	thousand	4,348	621	WIBOR 1M + margin	31/12/2029	mortgage, surety of MIRBUD
<b>Total credits and loans</b>				<b>74,958</b>	<b>10,892</b>	<b>85,850</b>		

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

In the period covered by the report, there were no cases of termination of loans or credit contracts or breach of their terms and conditions, which would result in disruption of financing of activities of Companies of the MIRBUD Group.

As at 31/12/2021, the Companies of the MIRBUD Group did not show any debts due to loans, except for loans indicated in the above tables.

#### **4.11.2 Long-term financial liabilities under issuance of bonds**

##### **B series bonds**

JHM DEVELOPMENT S.A. made an early redemption of all B series bonds, which was confirmed in the Communiqué of the Warsaw Stock Exchange dated 17/02/2021 informing about the end of trading in these bonds in the alternative trading system on Catalyst.

##### **C series bonds**

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

The issue of the bonds was effected by means of a bid conducted pursuant to Article 1(4)(a) and (b) of Regulation 2017/1129 by addressing the Purchase Proposal to qualified investors and not more than 149 designated addressees who are natural or legal persons other than qualified investors within the meaning of Article 2(e) of Regulation 2017/1129, i.e. in a manner which constitutes a public bid for securities within the meaning of Article 2(d) of Regulation 2017/1129, for which there is no obligation to publish a prospectus. The funds obtained by the Issuer from the issue of Bonds, minus costs and fees related to preparation and execution of the issue of Bonds, have been allocated for financing of conducted and planned property development projects of the Issuer, including financing of land purchase for new property development projects of the Issuer. The interest rate on the bonds is variable, based on WIBOR 3M plus margin. Interest will be paid on a quarterly basis. On the interest payment dates falling in the 11th, 12th and 13th interest periods, the Issuer will be required to unconditionally partially redeem 25% of the total number of issued Bonds. The final redemption date was set at 30/12/2023. The transferability of bonds is not subject to any restrictions.

##### **D series Bonds**

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

The issue of the bonds was effected by means of a bid conducted pursuant to Article 1(4)(a) and (b) of Regulation 2017/1129 by addressing the Purchase Proposal to qualified investors and not more than 149 designated addressees who are natural or legal persons other than qualified investors within the meaning of Article 2(e) of Regulation 2017/1129, i.e. in a manner which constitutes a public bid for securities within the meaning of Article 2(d) of Regulation 2017/1129, for which there is no obligation to publish a prospectus. The funds obtained by the Issuer from the issue of Bonds, minus costs and fees related to preparation and execution of the issue of Bonds, have been allocated for financing of conducted and planned property development projects of the Issuer, including financing of land purchase for new property development projects of the Issuer. The interest rate on the bonds is variable, based on WIBOR 3M plus margin. Interest will be paid on a quarterly basis. On the interest payment dates falling in the 10th, 11th and 12th interest periods, the Issuer will be required

to each time unconditionally partially redeem 25% of the total number of issued Bonds. The final redemption date was set at 30/12/2023. The transferability of bonds is not subject to any restrictions.

#### **E series bonds**

On 26 November 2021, the Management Board of JHM DEVELOPMENT S.A. with its registered office in Skierniewice, by way of Resolution No. XXV/2021 concerning the allocation of 50,000 E series secured bearer coupon bonds with a nominal value of PLN 1,000 each and a total nominal value of PLN 50.0 million, made a conditional allocation of E series bonds. The condition for the effective allocation of the Bonds to investors was the settlement of the Bonds purchase transaction by the National Depository for Securities in the delivery versus payment mode. The issue price of the Bonds is equal to the nominal value. The Issue Day was 17/12/2021.

The Bonds were offered in the manner provided for in Article 33(1) of the Bond Act, i.e. by way of a public offering, the conduct of which does not involve the obligation to draw up a prospectus pursuant to Article 1(4)(a) of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the offering was addressed solely to qualified investors).

According to the Terms and Conditions of Issue of E Series Bonds, funds from the issue shall be earmarked for execution of new residential projects, including purchase of land and for financing and/or refinancing of a Permitted Transaction, where a Permitted Transaction means actual and legal actions taken by the Issuer which are intended to lead, directly or indirectly, to the purchase by the Issuer of the perpetual usufruct right to property situated in Łódź and the ownership right to property situated in Łódź, including in particular:

- a) purchase of shares in Hakamore sp. z o.o. w upadłości;
- b) purchase from Hakamore creditors the claims of such creditors against the company, including bonds, or cause the funds necessary to satisfy all creditors to be made available to Hakamore; and
- c) causing the discontinuation of bankruptcy proceedings against Hakamore; and then
- d) concluding with Hakamore, after the end of bankruptcy proceedings, a contract for the sale of property pursuant to which the sales price or a part of the sales price of property may be settled by contractual deduction of the Issuer's receivables due to Hakamore and acquired from previous creditors with HKM's receivables due to the Issuer for payment of the sales price of property.

Funds from issuing this series of bonds were used to finance and refinance the Permitted Transaction.

The interest rate on the bonds is variable, based on WIBOR 6M plus margin. Interest will be paid on a semi-annual basis. On the interest payment dates falling on 17/12/2024 and 17/06/2025, the Issuer will be required to each time unconditionally partially redeem 10% of the total number of issued Bonds. The final redemption date was set at 17/12/2025. The transferability of bonds is not subject to any restrictions.

#### **4.11.3 Loans granted**

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

As at 31 December 2021, the Companies of the MIRBUD Group did not have receivables under granted loans.

#### **4.11.4 Sureties and guarantees**

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

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

- JHM DEVELOPMENT or related Special Purpose Vehicles - for execution of development projects

- Marywilka 44 Sp. z o.o. for refinancing capital expenditures
- Kobylarnia S.A. for execution of construction contracts

As at 31/12/2021, the balance of sureties is presented in the table below:

Table: Sureties granted by MIRBUD S.A. as at 31/12/2021

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:	
		30/06/2021	31/12/2020	30/06/2021	31/12/2020	
<b><u>To related entities</u></b>						
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 BANK 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	4,696	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
<b><u>To other entities</u></b>						
<b><u>Total</u></b>		<b><u>168,277</u></b>	<b><u>135,562</u></b>	<b><u>99,259</u></b>	<b><u>38,209</u></b>	

On 23 February 2021, Expo Mazury S.A. w likwidacji made full repayment of the loan taken up in ALIOR BANK S.A. and therefore the surety granted by MIRBUD S.A. expired.

On 15 February 2022, the guarantee granted by BGK upon order of KOBYLARNIA S.A. in the amount of PLN 24,150 thousand expired, and therefore the surety granted by MIRBUD S.A. expired.

## JHM DEVELOPMENT

The summary of contingent liabilities of JHM DEVELOPMENT Group companies as at 31/12/2021 is presented in the table below.

Table: Contingent liabilities as at 31/12/2021

No.	Liability granted to the company	Title of liability	Value of the liability as at 31/12/2021	Value of the liability as at 31/12/2021	Expiry of the liability
1	Marywilka 44	Surety for the obligations of Marywilka 44 under the lease agreement concluded with Jysk Sp. z o.o.	650	650	05/07/2033
2	MIRBUD S.A.	Asset surety - hedge for the credit in PKO BP bank	57,750	11,395	24/06/2022

The other companies of the JHM DEVELOPMENT Group did not grant any sureties or warranties.

## Marywilka 44 Sp. z o.o.

A summary of contingent liabilities of Marywilka 44 sp. z o.o. as at 31/12/2021 is presented in the table below.

Table: Contingent liabilities as at 31/12/2021

No.	Liability granted to the company	Title of liability	Value of the surety as at 31/12/2021	Value of the liability as at 31/12/2021	Expiry of the liability
1	MIRBUD S.A.	Asset hedge for the loan in Agencja Rozwoju Przemysłu S.A.	60,000	28,200	29/12/2023
2	JHM DEVELOPMENT S.A.	Asset hedge for mortgage in favour of E series bonds hedging administrator	55,000	50,000	31/12/2025

## KOBYLARNIA S.A.

As at 31/12/2021, Kobyłarnia S.A. has granted the following sureties.

Table: Sureties granted by Kobyłarnia S.A. as at 30/06/2021, in PLN thousand

No.	Entity for which the surety was granted	Claim for which surety was granted	Value of the surety as at 31/12/2021	Value of the liability as at 30/06/2021	Expiry date of the surety
1	MIRBUD S.A.	Guarantee facility	50,000	-	31/05/2022
2	MIRBUD S.A.	Guarantee BGK/190427/DGL	42,758		31/12/2022

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

In accordance with the terms of the contract:

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

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

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

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

Contingent liabilities under the guarantee of removal of defects and faults granted by the Companies of the MIRBUD Group to investors, created, lasting from 01/01/2021 to 31/12/2021, are as follows:

Other contingent liabilities	in PLN thousand	
	As at:	As at:
	31/12/2021	31/12/2020
Under proper performance guarantee	556,815	332,537
Under rectifying faults and defects	330,001	177,919
Under payment of receivables	130,142	201,210
<u>Total</u>	<b>1,016,958</b>	<b>711,666</b>

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

The Issuer did not issue shares during the reported period.

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

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

These funds are intended to cover the purchase of properties situated in Ostróda at ul. Grunwaldzka 55. As part of the purchased property, the Company intends to carry out its activity consisting in the lease of space for storage purposes.



The share capital increase was registered in the National Court Register on 10/06/2021 in an incorrect manner, inconsistently with the Company's request and the actual state of affairs regarding the amount of the share capital, the amount of capital contributed by individual shareholders. Following the Court's correction, the Company's share capital amounts to PLN 148,250,000.00. This value consists of:

- **1,565,000 shares with a nominal value of PLN 50 each**, making a total of PLN 78,250,000 - shares owned by MIRBUD S.A. Share of MIRBUD S.A. in the Company's share capital will be: 53.88%.
- **1,339,800 shares with a nominal value of PLN 50 each**, making a total of PLN 66,990,000 - shares owned by JHM DEVELOPMENT S.A. Share of JHM DEVELOPMENT S.A. in the Company's share capital will be: 46.12%.

The difference in the value of the shares results from the redemption of shares with a nominal value of PLN 3,010,000.00 thousand.

On 17 November 2021, the Extraordinary Meeting of Shareholders of Marywilska 44 Sp. z o. o. adopted a resolution concerning:

- reduction of the Company's share capital to PLN 145,240,000, i.e. by PLN 3,010,000, which corresponds to the value of the aforementioned redeemed shares;
- and then increasing the Company's share capital to PLN 157,500,000, i.e. by PLN 12,260,000, through the creation of 245,200 new shares with a nominal value of PLN 50 each. The newly issued shares were fully paid up in cash in the amount of PLN 24,520,000, with the surplus over the nominal value of the shares, i.e. PLN 12,260,000, being transferred in full to the Company's share capital. The new shares were acquired entirely by MIRBUD S.A. The capital for the capital increase was fully contributed and an application was submitted on 28 December 2022 to register the above-described capital increase. As at the date of publication of this report, the Issuer has not received a court decision on the capital increase. The funds from the capital increase were used to purchase retail and service properties located in Starachowice and Rumia, respectively, from MIRBUD Capital Group entities.

## TOB «MIRБУД»

The share capital of TOB «MIRБУД» is UAH 2,377,752.81 (according to the average exchange rate of the National Bank of Poland as at 31/12/2021, PLN 353,571.84). The sole partner of the company is MIRBUD S.A.

In the reporting period, other companies of the Group did not issue any shares.

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

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

## 5. MAIN CONTRACTS

### 5.1. Insurance contracts

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

From 01/04/2021 to 31/03/2022, MIRBUD S.A. was covered by insurance on the basis of a framework contract concluded with Sopot Insurance Company Ergo-Hestia S.A. on 29/03/2021 "Contract for the Comprehensive Insurance of the Enterprise Group against all risks No. 15/MIRBUD/2021".

Under the terms of the above Comprehensive Insurance Contract, the MIRBUD S.A., KOBYLARNIA S.A., Marywilska 44 sp. z o.o. (with respect to property located in Ostróda, Starachowice and Rumia), JHM DEVELOPMENT S.A. and its subsidiaries, JHM 1 Sp. z o.o. and JHM 2 Sp. z o.o., concluded detailed insurance contracts which directly concern their operations.

Marywilska 44 Sp. z o.o. concluded a contract for insurance against all risks with AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A. for the period from 05/09/2020 to 04/09/2021 confirmed with the following insurance policies:

- Policy No. 320000267582 against all risks of loss of or damage to Company property,
- Policy No. 320000267597 for third party liability insurance.

The aforementioned contract was extended for another period, i.e. from 05/09/2021 to 04/09/2022 and confirmed by the following policies:

- policy No. 350011915494842 against all risks and insurance of loss of gross profit as a result of interruption or disruption of business resulting from insured property damage
- Third party business liability insurance policy

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

Table: Main contracts concluded by MIRBUD S.A. in the period from 01/01/2021 to 31/12/2021 in PLN thousand

Contract conclusion date	Contract value (net) in PLN thousand	Contractor	Subject matter of the contract
04/01/2021	27,579	G&M Sp. z o.o.	Comprehensive execution of prefabrication of reinforcement and prefabrication of formwork for EST-1 flyover in connection with the investment titled "Construction of the S1 expressway (formerly S69) Bielsko-Biała - Żywiec - Zwardoń, Przybędza - Milówka section (Węgierska Górka bypass)
19/01/2021	55,946	Kujawsko-Pomorskie Voivodeship - the Voivodship Roads Authority in Bydgoszcz	Extension of voivodship road No. 548 Stolno - Wąbrzeźno from km 0+005 to km 29+619, excluding the motorway interchange in the town of Lisewo from km 14+144 to km 15+146. Part 1 - stage I from km 0+005 to km 14+144." <ul style="list-style-type: none"> <li>• KOBYLARNIA S.A. with its registered office in Kobylarnia - a company from the Issuer's Capital Group (Consortium Leader);</li> <li>• MIRBUD S.A. with its registered office in Skierniewice (Consortium Partner).</li> </ul>
20/01/2021	26,174	Robert Białydyga Przedsiębiorstwo Handlowo – Usługowe TRANSKOM	Delivery of aggregate mixtures in connection with the investment titled "Design and construction of the Olesno bypass within the national road No. 11 (S11)."
27/01/2021	209,897	General Directorate for National Roads and Motorways	Construction of the A18 motorway Olszyna - Golnice (reconstruction of the southern roadway) section 4 from km 50+000 to km 71+533. <ul style="list-style-type: none"> <li>• KOBYLARNIA S.A. with its registered office in Kobylarnia - a company from the Issuer's Capital Group (Consortium Leader);</li> <li>• MIRBUD S.A. with its registered office in Skierniewice (Consortium Partner);</li> </ul> <p>BUDPOL Sp. z o.o. with its registered office in Częstochowa, ul. Kopalniana 12J, 42-271 Częstochowa (Consortium Partner).</p>
03/02/2021	21,215	BAUME Sp. z o.o	Execution of earthworks in connection with the investment titled "Design and construction of the Olesno bypass within the national road No. 11 (S11)."
09/03/2021	27,843	JHM DEVELOPMENT S.A.	Construction of a multi-family residential building with necessary infrastructure at ul. Bohaterów Kragujewca 8A in Bydgoszcz
12/03/2021	26,700	Voivodship Ambulance Station in Szczecin.	Construction of the Voivodship Ambulance Station at ul. Twardowskiego in Szczecin.
16/04/2021	631,707	General Directorate for National Roads and Motorways	Construction of the Tri-city Metropolitan Bypass divided into 2 parts, part 2: Construction of the Tri-city Metropolitan Bypass, task 2: Żukowo interchange (with interchange) - Gdańsk Południe interchange (with interchange), <ul style="list-style-type: none"> <li>• MIRBUD S.A. with its registered office in Skierniewice (Consortium Leader),</li> </ul>

			<ul style="list-style-type: none"> <li>KOBYLARNIA S.A. with its registered office in Kobylarnia (Consortium partner) was selected as the most advantageous one.</li> </ul>
07/05/2021	139,970	vidaXL International Sp. z o.o.	Construction of a warehouse and logistics centre with accompanying infrastructure in Września in Wielkopolskie Voivodeship
14/05/2021	72,370	Consortium of companies composed of: <ul style="list-style-type: none"> <li>WASKO S.A. with its registered office in Gliwice (Consortium Leader),</li> <li>Voltar System Sp. z o.o. with its registered office in Tychy</li> </ul>	Comprehensive execution of tunnel equipment, tunnel control and management systems in technical buildings and RMS in connection with execution of the investment titled "Construction of the S1 expressway (formerly S69) Bielsko-Biała - Żywiec - Zwardoń, Przybędza - Milówka section (Węgierska Górka bypass)"
24/06/2021	158,293	Olsztyn Municipality	Reconstruction and extension of the Urania sports and entertainment hall in Olsztyn
30/06/2021	200,677	General Directorate for National Roads and Motorways	Design and construction of the Gostyń bypass within the national road No. 12 <ul style="list-style-type: none"> <li>MIRBUD S.A. with its registered office in Skierniewice (Consortium Leader),</li> <li>KOBYLARNIA S.A. with its registered office in Kobylarnia (Consortium partner) was selected as the most advantageous one.</li> </ul>
11/08/2021	59,919	State Treasury - Court of Appeal in Wrocław	Construction of the Court of Appeal building in Wrocław at ul. Zielińskiego, Piłsudskiego, Kolejowa, together with reconstruction of the road system in the area of ul. Kolejowa and ul. Zielińskiego.
03/09/2021	42,905	WAMA CONSTRUCTION Sp. z o.o. with its registered office in Gdańsk	Construction of three multi-family buildings with necessary infrastructure at ul. Wielkopolska in Gdańsk
29/09/2021	64,569	State Treasury - Capital City Infrastructure Department in Warsaw	Construction of a repair hall with accompanying infrastructure for maintenance and repair of Leopard 2 tanks
30/09/2021	49,332	LCP Corentin Investments Sp. z o.o. with its registered office in Warsaw	Construction of a building with the accompanying infrastructure as part of the extension of the shopping centre located at ul. Akademicka and Jana Pawła II 20 in Koszalin.
20/10/2021	60,684	PDC INDUSTRIAL CENTER 180 with its registered office in Warsaw	Construction of a warehouse building at Panattoni Park Swadzim II together with the necessary accompanying infrastructure
14/12/2021	169,700	Zakład Komunalny sp. z o.o. with its registered office in Opole	Construction of City Stadium in Opole together with parking lots and technical infrastructure

On 15 December 2021, the Issuer's Management Board received information from the Contracting Authority, the General Directorate for National Roads and Motorways, Bydgoszcz Branch, that in the tender procedure, conducted in the open tender procedure titled "Design and construction of the S10 Bydgoszcz – Toruń expressway, section 3 from the Solec junction to the Toruń Zachód junction", the bid of the consortium (hereinafter referred to as the "Consortium") of companies composed of:

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

- MIRBUD S.A. with its registered office in Skierniewice (Consortium Partner) was selected as the most advantageous one.

**Bid value:** PLN 425,869,442.92 gross

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

## KOBYLARNIA S.A.

Table: Main contracts for construction works concluded by KOBYLARNIA in the period from 01/01/2021 to 31/12/2021.

Contract conclusion date	Contract value (net) in PLN thousand	Contractor	Subject matter of the contract
04/01/2021	27,579	G&M Sp. z o.o.	Comprehensive execution of prefabrication of reinforcement and prefabrication of formwork for EST-1 flyover in connection with the investment titled "Construction of the S1 expressway (formerly S69) Bielsko-Biała - Żywiec - Zwardoń, Przybędza - Milówka section (Węgierska Górka bypass)
19/01/2021	55,946	Kujawsko-Pomorskie Voivodeship - the Voivodeship Roads Authority in Bydgoszcz	Extension of voivodship road No. 548 Stolno - Wąbrzeźno from km 0+005 to km 29+619, excluding the motorway interchange in the town of Lisewo from km 14+144 to km 15+146. Part 1 - stage I from km 0+005 to km 14+144." <ul style="list-style-type: none"> <li>• KOBYLARNIA S.A. with its registered office in Kobylarnia - a company from the Issuer's Capital Group (Consortium Leader);</li> </ul> <p>MIRBUD S.A. with its registered office in Skierniewice (Consortium Partner).</p>
20/01/2021	26,174	Robert Białdyga Przedsiębiorstwo Handlowo – Usługowe TRANSKOM	Delivery of aggregate mixtures in connection with the investment titled "Design and construction of the Olesno bypass within the national road No. 11 (S11)."
27/01/2021	209,897	General Directorate for National Roads and Motorways	Construction of the A18 motorway Olszyna - Golnice (reconstruction of the southern roadway) section 4 from km 50+000 to km 71+533. <ul style="list-style-type: none"> <li>• KOBYLARNIA S.A. with its registered office in Kobylarnia - a company from the Issuer's Capital Group (Consortium Leader);</li> <li>• MIRBUD S.A. with its registered office in Skierniewice (Consortium Partner);</li> </ul> <p>BUDPOL Sp. z o.o. with its registered office in Częstochowa, ul. Kopalniana 12J, 42-271 Częstochowa (Consortium Partner).</p>
03/02/2021	21,215	BAUME Sp. z o.o	Execution of earthworks in connection with the investment titled "Design and construction of the Olesno bypass within the national road No. 11 (S11)."
16/04/2021	631,707	General Directorate for National Roads and Motorways	Construction of the Tri-city Metropolitan Bypass divided into 2 parts, part 2: Construction of the Tri-city Metropolitan Bypass, task 2: Żukowo interchange (with interchange) - Gdańsk Południe interchange (with interchange), <ul style="list-style-type: none"> <li>• MIRBUD S.A. with its registered office in Skierniewice (Consortium Leader),</li> </ul>

			<ul style="list-style-type: none"> <li>KOBYLARNIA S.A. with its registered office in Kobylarnia (Consortium partner) was selected as the most advantageous one.</li> </ul>
14/05/2021	72,370	Consortium of companies composed of: <ul style="list-style-type: none"> <li>WASKO S.A. with its registered office in Gliwice (Consortium Leader),</li> <li>Voltar System Sp. z o.o. with its registered office in Tychy</li> </ul>	Comprehensive execution of tunnel equipment, tunnel control and management systems in technical buildings and RMS in connection with execution of the investment titled "Construction of the S1 expressway (formerly S69) Bielsko-Biała - Żywiec - Zwardoń, Przybędza - Miłówka section (Węgierska Górka bypass)"
30/06/2021	200,677	General Directorate for National Roads and Motorways	Design and construction of the Gostyń bypass within the national road No. 12 <ul style="list-style-type: none"> <li>MIRBUD S.A. with its registered office in Skierniewice (Consortium Leader),</li> <li>KOBYLARNIA S.A. with its registered office in Kobylarnia (Consortium partner) was selected as the most advantageous one.</li> </ul>

On 15 December 2021, the Issuer's Management Board received information from the Contracting Authority, the General Directorate for National Roads and Motorways, Bydgoszcz Branch, that in the tender procedure, conducted in the open tender procedure titled "Design and construction of the S10 Bydgoszcz – Toruń expressway, section 3 from the Solec junction to the Toruń Zachód junction", the bid of the consortium (hereinafter referred to as the "Consortium") of companies composed of:

- KOBYLARNIA S.A. with its registered office in Kobylarnia (Consortium Leader),
- MIRBUD S.A. with its registered office in Skierniewice (Consortium Partner) was selected as the most advantageous one.

**Bid value:** PLN 425,869,442.92 gross

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

## JHM DEVELOPMENT

During the period covered by the report, the company concluded the following significant contracts:

Table: Main contracts for construction works concluded by JHM Development S.A. in the period from 01/01/2021 to 31/12/2021

Contract conclusion date	Contract value (net) in PLN thousand	Contractor	Subject matter of the contract
09/03/2021	27,843	JHM DEVELOPMENT S.A.	Construction of a multi-family residential building with necessary infrastructure at ul. Bohaterów Kragujewca 8A in Bydgoszcz
07/06/2021	38,035	WAMA Construction Sp. z o.o. with its registered office in Gdańsk	Construction of two multi-family buildings together with the necessary infrastructure and obtaining a final and unconditional occupancy permit in Żyrardów, at ul. Legionów Polskich.
03/09/2021	42,905	WAMA Construction Sp. z o.o. with its registered office in Gdańsk	Construction of residential buildings (buildings A, B and C), multi-family houses, including internal installations and land development and technical infrastructure in Gdańsk at ul. Wielkopolska, and

obtaining a final, unconditional occupancy permit for the buildings.

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

In the period covered by the report, the other Group Companies did not conclude any significant contracts.

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

#### MIRBUD S.A.

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

Contract conclusion date	Contract value (net) in PLN	Contractor	Subject matter of the contract
03/03/2022	61,600	GINGERINA sp. z o.o. with its registered office in Warsaw	Construction of two warehouse buildings (Building A and Building B) together with the accompanying infrastructure in the town of Wry, Mikołów County, Silesian Voivodeship.
09/03/2022	437,154	General Directorate for National Roads and Motorways	Design and execution of construction works for the S74 Przełom/Mniów - Kielce (S7 Kielce Zachód interchange) expressway section. Consortium of companies composed of: <ul style="list-style-type: none"> <li>MIRBUD S.A. with its registered office in Skierniewice (Consortium Leader),</li> <li>KOBYLARNIA S.A. with its registered office in Kobylarnia (Consortium partner),</li> </ul>
17/03/2022	47,520	PDC Industrial Center 171 Sp. z o.o. with its registered office in Warsaw	Construction of a manufacturing and warehouse complex with staff and office facilities and accompanying infrastructure in the village of Cząstków Mazowiecki, municipality of Czarnów, Nowy Dwór county, Mazowieckie voivodship
29/03/2022	39,471	District Infrastructure Department in Zielona Góra.	Construction of repair hall W-10 in Krosno Odrzańskie with accompanying infrastructure for maintenance and repair of armour and armoured equipment as well as demolition of existing buildings.
29/03/2022	72,110	Legnica Municipality	Construction of the South Service Road in Legnica – Stage III from al. Rzeczypospolitej to ul. Sikorskiego. Consortium of companies composed of: <ul style="list-style-type: none"> <li>KOBYLARNIA S.A. with its registered office in Kobylarnia (Consortium Leader),</li> <li>MIRBUD S.A. with its registered office in Skierniewice (Consortium Partner).</li> </ul>

On 19/01/2022, the Issuer's Management Board became aware of the announcement of the verdict by the National Appeal Chamber ordering the annulment of the selection of the most advantageous bid made by a consortium of companies composed of: KOBYLARNIA S.A. (the Consortium Leader) and MIRBUD S.A. (the Consortium Partner) (hereinafter referred to as the "Consortium") to execute the task titled "Design and construction of the S10 Bydgoszcz – Toruń expressway, section 3 from the Solec junction to the Toruń Zachód junction".

On 02/02/2022, the Issuer's Management Board received information from the Contracting Authority, the General Directorate for National Roads and Motorways, Bydgoszcz Branch, that in the tender procedure, conducted in the open tender procedure titled "**Design and construction of the S10 Bydgoszcz – Toruń expressway, section 3 from the Solec junction to the Toruń Zachód junction**", the bid of the consortium (hereinafter referred to as the "Consortium") of companies composed of:

- KOBYLARNIA S.A. with its registered office in Kobylarnia (Consortium Leader),
- MIRBUD S.A. with its registered office in Skierniewice (Consortium Partner) was selected as the most advantageous one.

**Bid value:** PLN 425,869,442.92 gross.

The re-selection was made after the execution of a decision of the National Chamber of Appeal, file ref. No.: KIO 3762/21 dated 17 January 2022, of which the Issuer informed in Current Report No. 03/2022.

### KOBYLARNIA S.A.

Table: Key contracts concluded by KOBYLARNIA S.A. after the date of the financial statements

Contract conclusion date	Contract value (net) in PLN	Contractor	Subject matter of the contract
09/03/2022	437,154	General Directorate for National Roads and Motorways	Design and execution of construction works for the S74 Przełom/Mniów - Kielce (S7 Kielce Zachód interchange) expressway section. Consortium of companies composed of: <ul style="list-style-type: none"> <li>• MIRBUD S.A. with its registered office in Skierniewice (Consortium Leader),</li> <li>• KOBYLARNIA S.A. with its registered office in Kobylarnia (Consortium partner),</li> </ul>
29/03/2022	72,110	Legnica Municipality	Construction of the South Service Road in Legnica – Stage III from al. Rzeczypospolitej to ul. Sikorskiego. Consortium of companies composed of: <ul style="list-style-type: none"> <li>• KOBYLARNIA S.A. with its registered office in Kobylarnia (Consortium Leader),</li> <li>• MIRBUD S.A. with its registered office in Skierniewice (Consortium Partner).</li> </ul>

On 19/01/2022, the Issuer's Management Board became aware of the announcement of the verdict by the National Appeal Chamber ordering the annulment of the selection of the most advantageous bid made by a consortium of companies composed of: KOBYLARNIA S.A. (the Consortium Leader) and MIRBUD S.A. (the Consortium Partner) (hereinafter referred to as the "**Consortium**") to execute the task titled "**Design and construction of the S10 Bydgoszcz – Toruń expressway, section 3 from the Solec junction to the Toruń Zachód junction**".

On 02/02/2022, the Issuer's Management Board received information from the Contracting Authority, the General Directorate for National Roads and Motorways, Bydgoszcz Branch, that in the tender procedure, conducted in the open tender procedure titled "**Design and construction of the S10 Bydgoszcz – Toruń expressway, section 3 from the Solec junction to the Toruń Zachód junction**", the bid of the consortium (hereinafter referred to as the "Consortium") of companies composed of:

- KOBYLARNIA S.A. with its registered office in Kobylarnia (Consortium Leader),
- MIRBUD S.A. with its registered office in Skierniewice (Consortium Partner) was again selected as the most advantageous one.



**Bid value:** PLN 425,869,442.92 gross.

The re-selection was made after the execution of a decision of the National Chamber of Appeal, file ref. No.: KIO 3762/21 dated 17 January 2022, of which the Issuer informed in Current Report No. 03/2022.

## **JHM DEVELOPMENT S.A. GROUP**

After the date of financial statements, no events occurred and no contracts were concluded which could have a significant effect on the future financial results.

After the date of financial statements, no events occurred and no contracts were concluded in other Group Companies which could have a significant effect on the future financial results.

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

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

## **7. THE EFFECTS OF CHANGES IN THE STRUCTURE OF THE ECONOMIC ENTITY, INCLUDING AS A RESULT OF MERGING ENTITIES, GAINING OR LOSS OF CONTROL OVER SUBSIDIARIES AND LONG-TERM INVESTMENTS, AS WELL AS DIVISION, RESTRUCTURING OR DISCONTINUATION OF OPERATIONS, AND INDICATION OF ENTITIES SUBJECT TO CONSOLIDATION**

There were no changes in the structure of the business entity during the reporting period.

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

By Resolution of the General Meeting of Shareholders of 1 July 2020 No. 3/2020 (Rep. A No. 6401/2020) the liquidation process of Expo Mazury S.A. commenced. This is the second stage of reorganisation of the MIRBUD Capital Group. The purpose of reorganisation is to strengthen the Group by concentrating the entities operating within it around the parent company which is MIRBUD S.A. The reorganisation will result in simplification of the Group's structure, streamlining of the Group's business processes and optimisation of the operating costs of the Group's companies, in particular those operating in similar market areas. In practice, this means the planned transfer of assets of companies operating in the area of retail lease to MARYWILSKA 44 Sp. z o.o.

On 19 November 2021, the Issuer's Management Board received information from the liquidator of EXPO MAZURY S.A. w likwidacji, Mr. Waclaw Jankowski, about the issued decision of the District Court in Olsztyn, 8th Commercial Division of the National Court Register on removing the Company from the Register of Entrepreneurs. Completion of liquidation of the Company constitutes the next stage of the reorganisation process of the MIRBUD Capital Group. The Issuer announced the planned course of the Reorganisation in Current Report No. 36/2020.

As of 01/07/2021, MIRBUD Spółka Akcyjna took control over Marywilska 44 Spółka z ograniczoną odpowiedzialnością. As of 01/07/2021, Marywilska 44 Sp. z o.o. is subject to consolidation by MIRBUD S.A.

On 24/07/2021, JHM DEVELOPMENT S.A. purchased shares in HAKAMORE Sp. z o.o. w upadłości with its registered office in Warsaw from the Official Receiver of the Company under the business name STAL-MET Nieczaj Sp. z o.o. w upadłości with its registered office in Słupsk. As at 31/12/2021, the newly acquired company has not been consolidated. The company is in bankruptcy, therefore the Group does not exercise control over the Entity. Authority over the newly acquired company will be obtained when the bankruptcy proceedings discontinuation petition is approved.

The Extraordinary Meeting of Shareholders of the subsidiary, JHM 2 Sp. z o.o., adopted a resolution on dissolution and placing this Company in liquidation as of 1 February 2022. Accordingly, the current name of the Company is: JHM 2 Sp. z o.o. w likwidacji. Mr. Waclaw Jankowski was appointed the sole liquidator of the Company. At the same time the Issuer informs that liquidation of the subsidiary, JHM 2 Sp. z o.o., is part of the process of reorganisation of the MIRBUD Capital Group, about which the Issuer informed in Current Reports No. 36/2020 and 41/2021.

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

## 8. ACHIEVED AND FORECAST FINANCIAL RESULTS

The MIRBUD Capital Group Companies did not publish forecasts on financial results for 2021.

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

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

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

### External factors

- further implementation of the investment using the EU funds,
- the economic situation in the countries of the European Union,
- the government's policy on construction, especially housing,
- monetary policy (interest rate policy and its impact on the cost of credits),
- situation on financial markets,
- availability and costs of bank credits and guarantees,
- trends in preferences of potential buyers of apartments,
- the level and conditions of competition,
- the rate of growth of investments in the public sector (in particular in road construction),
- price levels for construction materials and services,

- the availability on the market of qualified staff and the level of their salaries,
- demand in housing construction,
- the further course of the coronavirus pandemic and the related economic effects, including a slowdown in the economy, increased unemployment, higher inflation, and an impact on the trade sector,
- the course and consequences of the military conflict in Ukraine.

Internal factors:

- financial standing of the Companies of the Group, in particular MIRBUD S.A.,
- a well-established position in the industrial building construction sector,
- systematic development of the Group in the engineering and road sector,
- systematic filling of the portfolio for the years 2022 - 2025,
- diversified order portfolio for the years 2022 - 2025,
- further development of property development activity through implementation of projects in Łódź, Poznań, Konin, Bydgoszcz, and Zakopane;
- commercialisation and rent collection in CH MARYWILASKA 44 sp. z o.o. after the period of trade suspension due to the coronavirus pandemic,
- the level of margin on the execution of contracts achieved through optimisation of production costs and improvement of technical solutions for the execution of construction, also thanks to the implementation of the process of development and implementation of the IT management system (a modern management system, in the Issuer's opinion, will improve control over operating activities through detailed ongoing analyses of individual projects, improve financial records, positively affect work efficiency and reduce the risk of core activities),
- the level of sales of residential units in ongoing development projects,
- further investments in modern machinery park,
- achieving financial results consistent with the planned results by the Group's subsidiaries.

Development prospects of the Issuer's activity are presented in item 4.4 of this report.

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

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

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

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

The assumption of an effective internal control system in financial reporting is to ensure that the financial information contained in the financial statements and periodical reports is adequate and correct. The consolidated financial statements of the Capital Group are prepared by the Chief Accountant. One of the basic elements of control in the process of preparing consolidated financial statements of the Capital Group is to

audit the annual financial statements and review the semi-annual financial statements by an independent auditor in order to express in his opinion and report whether the financial statements are correct and whether they present fairly and clearly the property and financial situation of the Capital Group, as well as its financial result. The annual consolidated financial statements of the Capital Group, together with the auditor's opinion, shall be submitted to the General Meeting of Shareholders for approval.

The financial and accounting section headed by the Director of Economic and Financial Affairs shall be responsible for the preparation of the consolidated financial statements and periodical financial reporting of the Capital Group. The preparation of consolidated financial statements and periodical reports begins after the approval of the periodical statements of the Companies by the Chief Accountant and the Company's Management Board.

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

The Management Board of the Company states that as at 31 December 2021 there neither were nor are at present factors which could affect the reliability and correctness of the consolidated financial statements prepared.

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

## 12. ADDITIONAL INFORMATION

### 12.1. Shareholder structure

#### 12.1.1 Information about the dividend paid in the period from 01/01/2021 to 31/12/2021

In the period from 01/01/ to 31/12/2021, MIRBUD S.A. made dividend payments.

On 24 June 2021, the Ordinary General Meeting of Shareholders of MIRBUD S.A., acting pursuant to Article 395 § 2 item 2 of the Commercial Companies Code, after due consideration decided to allocate the amount of PLN 7,339,536.00 from the net profit of PLN 19,425,131.66 generated in the financial year from 01/01/2020 to 31/12/2020 for the payment of dividend, i.e. PLN 0.08 (in words: eight grosz) per share, and to exclude the remaining part of the profit in the amount of PLN 12,085,595.66 from distribution and to allocate it to the Company's supplementary capital.

The Ordinary General Meeting of Shareholders of MIRBUD S.A., acting pursuant to Article 348 § 3 and § 4 of the Commercial Companies Code, in connection with the adoption of Resolution No. 9/2021 dated 24 June 2021 on the distribution of the Company's net profit for the year 2020 and the allocation of PLN 7,339,536.00 (in words: seven million three hundred and thirty nine thousand five hundred and thirty six zloty, 00/100) from that profit for the payment of dividend, i.e. PLN 0.08 (in words: eight grosz) per share, decides to establish:

- the dividend date (D) on 01 July 2021;
- the dividend payment date (P) on 16 August 2021.

The dividend was paid on the date specified in the Resolution.

On 26/05/2021, the Ordinary General Meeting of Shareholders of JHM DEVELOPMENT S.A. adopted Resolution No. 9/2021 on the distribution of net profit for the financial year 2020 and decided to exclude the net profit of PLN 14,568,468.72 earned in the financial year covering the period from 01/01/2020 to 31/12/2020 from the distribution and to allocate it entirely to increase the Company's reserve capital.

By Resolution No. XXVII/2021 dated 20 December 2021, the Management Board of JHM DEVELOPMENT S.A., on the basis of § 31 section 2 in connection with § 31 section 8 letter c) of the Articles of Association, after obtaining consent of the Supervisory Board expressed in Resolution No. XXIII/2021 dated 20 December 2021, decided to pay an advance for dividend for the financial year 2021 of PLN 3,460 thousand (in words: three million four hundred and sixty thousand zloty), i.e. PLN 0.05 (in words: five grosz) per share.

By way of Resolution No. 5/2021, on 05/05/2021, the Ordinary General Meeting of Shareholders of KOBYLARNIA S.A. decided to allocate the Company's entire net profit achieved in the financial year covering the period from 01/01/2020 to 31/12/2020 in the amount of PLN 1,717,211.85 to the payment of dividend. The dividend payment date was set at 31/05/2021. The dividend was paid within the period established by the Resolution.

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

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

### 12.1.3 Shares in Group Companies

#### MIRBUD S.A.

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

Table: Share capital structure

No.	Series of shares	Number of shares	Nominal value per one share	Share capital registered in PLN thousand	Manner of capital coverage	Registration date
1	A	19,500,000	PLN 0.10	1,950	cash	22/12/2006
2	B	14,625,000	PLN 0.10	1,462	cash	22/12/2006
3	C	2,264,000	PLN 0.10	226	cash	22/12/2006
4	D	3,611,000	PLN 0.10	361	cash	22/12/2006
5	E	5,000,000	PLN 0.10	5000	cash	11/12/2009
6	F	10,000,000	PLN 0.10	1,000	cash	03/03/2010
7	G	10,000,000	PLN 0.10	1,000	cash	19/05/2010
8	H	10,000,000	PLN 0.10	1,000	cash	18/08/2010
9	I	7,492,500	PLN 0.10	749	cash	26/05/2014
10	J	2,873,947	PLN 0.10	287	cash	11/09/2019
11	K	6,377,753	PLN 0.10	638	cash	30/09/2019
<b>Total</b>		<b>91,744,200</b>		<b>9,174</b>		

Table: Ownership structure of the share capital as at 31/12/2021

Shareholder	Number of shares held	Share in the share capital	Number of votes	% share in the total number of votes
<b>Jerzy Mirgos</b>	41,371,064	<b>45.1%</b>	41,371,064	<b>45.1%</b>
<b>Nationale-Nederlanden Open Pension Fund</b>	9,171,837	<b>9.99%</b>	9,171,837	<b>9.99%</b>
<b>Other shareholders</b>	41,201,299	<b>44.91%</b>	41,201,299	<b>44.91%</b>
<b>Total</b>	<b>91,744,200</b>	<b>100.00%</b>	<b>91,744,200</b>	<b>100.00%</b>

Table: Ownership structure of the share capital as at 31/12/2020

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

Table: Ownership structure of the share capital as at the date of approval of the statements for publication

Shareholder	Number of shares held	Share in the share capital	Number of votes	% share in the total number of votes
Jerzy Mirgos	41,371,064	45.10%	41,371,064	45.10%
Nationale-Nederlanden Open Pension Fund	9,171,837	9.99%	9,171,837	9.99%
Other shareholders	41,201,299	44.91%	41,201,299	44.91%
<b>Total</b>	<b>91,744,200</b>	<b>100.00%</b>	<b>91,744,200</b>	<b>100.00%</b>

## KOBYLARNIA S.A.

As at 31 December 2021, the share capital of KOBYLARNIA S.A. amounted to PLN 30,000 000 (thirty million zloty) and was divided into 300,000,000 shares with a nominal value of PLN 0.10 each.

Table: Structure of the share capital of KOBYLARNIA S.A. as at 31/12/2021

Item No.	Series of shares	Number of shares held	Nominal value of shares in PLN	Registered capital in PLN	Registration date	Method of coverage
1.	A	2,002,000.00	0.1	200,200.00	03/10/2011	cash
2.	B	7,998,000.00	0.1	799,800.00	26/06/2014	cash
3.	C	50,000,000.00	0.1	5,000,000.00	31/07/2019	cash
4.	D	50,000,000.00	0.1	5,000,000.00	27/08/2019	cash
5.	E	50,000,000.00	0.1	5,000,000.00	11/10/2019	cash
6.	F	50,000,000.00	0.1	5,000,000.00	20/12/2019	cash
7.	G	40,000,000.00	0.1	4,000,000.00	19/02/2020	cash
8.	H	50,000,000.00	0.1	5,000,000.00	02/04/2020	cash
	<b>Total</b>	<b>300,000,000.00</b>	<b>0.1</b>	<b>30,000,000.00</b>		

Table: Structure of shares held as at 31 December 2021

Shareholder	Number of shares held	Share in the Company's share capital	Number of votes	% share in the total number of votes
<b>MIRBUD</b>	300,000,000	100%	300,000,000	100%
<b>Total</b>	<b>300,000,000</b>	<b>100%</b>	<b>300,000,000</b>	<b>100%</b>

The amount of share capital in the period covered by the report has not changed.

## JHM DEVELOPMENT S.A.

As at 31 December 2021, the share capital of JHM DEVELOPMENT S.A. amounted to PLN 173,000,000 (one hundred and seventy-three million zloty) and was divided into 69,200,000 shares with a nominal value of PLN 2.50 each.

Table: Structure of the share capital of JHM DEVELOPMENT S.A. as at 31/12/2021

Item No.	Series of shares	Number of shares	Nominal price [PLN]	Registered capital [PLN]	Registration date	Method of coverage
1	A1	27,497,500	2.50	68,743,750	21/11/2014	cash
2	A2	41,702,500	2.50	104,256,250	21/11/2014	cash
<b>TOTAL</b>		<b>69,200,000</b>		<b>173,000,000</b>		

The amount of share capital in the period covered by the report has not changed.

Table: Ownership structure of the share capital as at 30/06/2021

Shareholder	Number of shares held	Share in the share capital of JHM DEVELOPMENT S.A.	Number of votes	% share in the total number of votes
<b>MIRBUD</b>	69,200,000	100%	69,200,000	100%
<b>Total</b>	<b>69,200,000</b>	<b>100%</b>	<b>69,200,000</b>	<b>100%</b>

As at the date of approval of the statements, the ownership structure of the share capital has not changed.

## Marywilka 44 Sp. z o.o.

The share capital of Marywilka 44 Sp. z o.o. comprises 2,904,800 shares. The Company's share capital as at 31/12/2021 was PLN 145,150 thousand, and the structure of shareholders was as follows

Table: Ownership structure of the share capital of Marywilka Sp. z o.o. as at 31/12/2021

Name	Number of shares	Nominal price	Registered capital in PLN thousand	Registration date	Method of coverage
MIRBUD S.A.	1,565,000	PLN 50.00	78,250	10/06/2021 - registration in the National Court Register made incorrectly	cash
JHM DEVELOPMENT S.A.	1,339,800	PLN 50.00	66,900	24/11/2014	cash
<b>Total</b>	<b>2,904,800</b>		<b>145,150</b>		

Table: Ownership structure of the share capital of Marywilka Sp. z o.o. as at 31/12/2021

Name	Number of shares	Share in the share capital	Number of votes	% share in the total number of votes
MIRBUD S.A.	1,565,000	53.88%		
JHM DEVELOPMENT S.A.	1,339,800	46.12%	1,339,800	100%
<b>Total</b>	<b>1,339,800</b>	<b>100%</b>	<b>1,339,800</b>	<b>100%</b>

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

The share capital increase was registered in the National Court Register on 10/06/2021 in an incorrect manner, inconsistently with the Company's request and the actual state of affairs regarding the amount of the share capital, the amount of capital contributed by individual shareholders. Following the Court's correction, the Company's share capital amounts to PLN 148,250,000.00. This value consists of:

- **1,565,000 shares with a nominal value of PLN 50 each**, making a total of PLN 78,250,000 - shares owned by MIRBUD S.A. Share of MIRBUD S.A. in the Company's share capital will be: 53.88%.
- **1,339,800 shares with a nominal value of PLN 50 each**, making a total of PLN 66,990,000 - shares owned by JHM DEVELOPMENT S.A. Share of JHM DEVELOPMENT S.A. in the Company's share capital will be: 46.12%.

The difference in the value of the shares results from the redemption of shares with a nominal value of PLN 3,010,000.00 thousand. The date of obtaining control over MARYWILSKA 44 sp. z o.o. by MIRBUD S.A. was set at 01/07/2021.

On 17 November 2021, the Extraordinary Meeting of Shareholders of Marywilka 44 Sp. z o.o. adopted a resolution concerning:

- reduction of the Company's share capital to PLN 145,240,000, i.e. by PLN 3,010,000, which corresponds to the value of the aforementioned redeemed shares;
- and then increasing the Company's share capital to PLN 157,500,000, i.e. by PLN 12,260,000, through the creation of 245,200 new shares with a nominal value of PLN 50 each. The newly issued shares were fully paid up in cash in the amount of PLN 24,520,000, with the surplus over the nominal value of the shares, i.e. PLN 12,260,000, being transferred in full to the Company's share capital. The new shares were acquired entirely by MIRBUD S.A. The capital for the capital increase was fully contributed and an application was submitted on 28 December 2022 to register the above-described capital increase. As at the date of publication of this report, the Issuer has not received a court decision on the capital increase. The funds from the capital increase were used to purchase retail and service properties located in Starachowice and Rumia, respectively, from MIRBUD Capital Group entities.



## JHM 1 Sp. z o.o.

As at 31/12/2021 the share capital of JHM 1 amounted to PLN 9,000,065 (nine million and sixty five zloty) and was divided into 180,013 shares with a nominal value of PLN 50.00 each. The shares were fully paid up in cash.

Table: Ownership structure of the share capital of JHM 1 Sp. z o.o. as at 31/12/2020

Name	Number of shares	Share in the share capital	Number of votes	% share in the total number of votes
JHM DEVELOPMENT S.A.	180,013	100%	180,013	100%
<b>Total</b>	<b>180,013</b>	<b>100.0%</b>		

Ownership structure of the share capital as at the date of approval of the statements has not changed.

## JHM 2 Sp. z o.o.

As at 31/12/2021 the share capital of JHM 2 amounted to PLN 10,300,000 (ten million three hundred thousand zloty) and was divided into 206,000 shares with a nominal value of PLN 50.00 each. The shares were fully paid up in cash.

Table: Ownership structure of the share capital of JHM 2 Sp. z o.o. as at 31/12/2021

Name	Number of shares	Share in the share capital	Number of votes	% share in the total number of votes
JHM DEVELOPMENT S.A.	206,000	100%	206,000	100%
<b>Total</b>	<b>206,000</b>	<b>100%</b>	206,000	100%

Ownership structure of the share capital as at the date of approval of the statements has not changed.

## TOB «MIRBYD»

The share capital of TOB «MIRBYD» is UAH 2,377,752.81 (according to the average exchange rate of the National Bank of Poland as at 31/12/2021, PLN 353,571.84). The sole partner of the company is MIRBUD S.A.

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

#### MIRBUD S.A.

The total number of shares of MIRBUD S.A. held by members of the management and supervisory bodies as at 31/12/2021, 31/12/2020 and as at the date of preparation of the report is as follows:

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

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

<b>Agnieszka Bujnowska</b>	Secretary of the Supervisory Board	11,851 shares with a nominal value of PLN 0.10 each, with a total value of PLN 1,185.10	<b>0 %</b>
<b>TOTAL</b>		<b>41,282,915 shares</b>	<b>44.98%</b>

Table. Shares of the Company held by members of management and supervisory bodies as at 31/12/2021

Name and surname	Position in the Company	Number of shares held (pcs)	Number of shares held in %
<b>Jerzy Mirgos</b>	President of the Management Board	41,371,064 shares with a nominal value of PLN 0.10 each, with a	<b>45.1%</b>
<b>TOTAL</b>		<b>41,371,064 shares</b>	<b>45.1%</b>

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

Name and surname	Position in the Company	Number of shares held (pcs)	Number of shares held in %
<b>Jerzy Mirgos</b>	President of the Management Board	41,371,064 shares with a nominal value of PLN 0.10 each, with a	<b>45.1%</b>
<b>TOTAL</b>		<b>41,371,064 shares</b>	<b>45.1%</b>

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

## JHM DEVELOPMENT S.A.

During the period covered by these statements all shares in JHM DEVELOPMENT S.A. were held by MIRBUD S.A. and none of the management or supervisory bodies' members held any shares in the Company. Also none of the members of the Management Board or Supervisory Board hold any options for the Company's shares.

In other companies of the Capital Group, members of the Management Board and Supervisory Board do not hold any shares or options for shares of the Companies.

As at 31/12/2021, MIRBUD S.A. remains the sole shareholder of JHM DEVELOPMENT S.A.

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

As at 31/12/2021 and after the balance sheet date until the date of preparation of the report, apart from the information disclosed in these statements and in current reports, the issuer did not have any information about contracts which may result in future changes in the proportions of shares held by the Issuer's existing shareholders.

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

There are no employee stock ownership plans in the Company

## 12.2. Influence of factors and unusual events on the financial result for 2021

In 2021, there were no factors or events unusual from the point of view of the specific nature of the Companies' business activities which could influence the financial result, apart from the factors related to the COVID-19 pandemic which are described in this report.

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

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

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

#### MIRBUD S.A.

In the period from 01/01/2021 to 31/12/2021, the composition of the Management Board of MIRBUD S.A. did not change and it performed the duties with the following composition:

Table: Composition of the MIRBUD S.A. Management Board from 01/01/2021 to 31/12/2021

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

The composition of the Issuer's Supervisory Board in the period from 01/01/2021 to 31/12/2021 changed and was as follows:

Table: Composition of the MIRBUD S.A. Supervisory Board in the period from 01/01/2021 - 31/12/2021

Name and surname	Position
<b>Wiesław Kosonóg</b>	Chairman of the Supervisory Board
<b>Waldemar Borzykowski</b>	Deputy Chairman of the Supervisory Board (until 23/06/2021)
<b>Radosław Niewiadomski</b>	Member of the Supervisory Board (since 24/06/2021)
<b>Agnieszka Bujnowska</b>	Secretary of the Supervisory Board
<b>Hubert Bojdo</b>	Member of the Supervisory Board
<b>Andrzej Zakrzewski</b>	Member of the Supervisory Board
<b>Wiktoria Braun</b>	Member of the Supervisory Board
<b>Artur Sociński</b>	Member of the Supervisory Board

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.

## JHM DEVELOPMENT S.A.

In the period from 01/01/2021 to 31/12/2021, the Management Board of JHM DEVELOPMENT S.A. did not change and performed the duties with the following composition:

*Table: Composition of the Management Board of JHM DEVELOPMENT S.A. in the period from 01/01/2021 to 31/12/2021*

Management Board	
Biskupska Regina	President of the Management Board
Mirgos Jerzy	Vice-President of the Management Board
Siedlarski Sławomir	Member of the Management Board
Kaja Mirgos-Kwiatkowska	Member of the Management Board

The composition of the Company's Supervisory Board is shown in the table below:

*Table: Composition of the Supervisory Board of JHM DEVELOPMENT S.A. in the period from 01/01/2021 to 31/12/2021*

Supervisory Board	
Kosonóg Wiesław	Chairman of the Supervisory Board
Borzykowski Waldemar	Deputy Chairman of the Supervisory Board (until 26/05/2021)
Niewiadomski Radosław	Deputy Chairman of the Supervisory Board (since 27/05/2021)
Bujnowska Agnieszka	Secretary of the Supervisory Board
Zakrzewski Andrzej	Member of the Supervisory Board
Niewiadomski Radosław	Member of the Supervisory Board

## KOBYLARNIA S.A.

The composition of the Company's Management Board in the period from 01/01/2021 to 31/12/2021 was as follows:

*Table: Composition of the Management Board of KOBYLARNIA S.A. in the period from 01/01/2021 to 31/12/2021*

Management Board	
Michał Niemyt	Vice-President of the Management Board
Jerzy Mirgos	Member of the Management Board
Karolina Lewandowska	Member of the Management Board
Sławomir Nowak	Member of the Management Board

The composition of the Company's Supervisory Board in the period from 01/01/2021 to 31/12/2021 was as follows:

*Table: Composition of the Supervisory Board of KOBYLARNIA S.A. in the period from 01/01/2021 to 31/12/2021*

Supervisory Board	
Paweł Korzeniowski	Chairman of the Supervisory Board

Anna Więżowska	Member of the Supervisory Board
Agnieszka Bujnowska	Secretary of the Supervisory Board

### Marywilska 44 Sp. z o.o.

The composition of the Management Board of the subsidiary Marywilska 44 Sp. z o.o. did not change in the period from 01/01/2021 to 31/12/2021.

*Table: Composition of the Management Board of Marywilska 44 Sp. z o.o. in the period from 01/01/2021 to 31/12/2021*

Management Board	
Małgorzata Konarska	President of the Management Board
Kaja Mirgos-Kwiatkowska	Member of the Management Board
Beata Mały-Kaczanowska	Member of the Management Board
Piotr Taras	Member of the Management Board

The composition and changes in the composition of the Supervisory Board of the subsidiary Marywilska 44 Sp. z o.o. in the period from 01/01/2021 to 31/12/2021 are set out below:

*Table: Composition of the Supervisory Board of Marywilska 44 Sp. z o.o. in the period from 01/01/2021 to 31/12/2021*

Supervisory Board	
Dariusz Jankowski	Chairman of the Supervisory Board (until 25/03/2021)
Agnieszka Bujnowska	Secretary of the Supervisory Board
Paweł Korzeniowski	Member of the Management Board / Chairman of the Supervisory Board (since 26/03/2021)
Anna Więżowska	Member of the Supervisory Board (since 26/03/2021)

As at the date of the report, the composition of the Supervisory Board of Marywilska 44 Sp. z o.o. has changed.

### JHM 1 Sp. z o.o.

In the period from 01/01/2021 to 31/12/2021, the Management Board of JHM 1 Sp. z o.o. performed its duties with an unchanged, one-person composition: Mr. Sławomir Siedlarski - President of the Management Board. Pursuant to the Company's contract, the supervisory board was not appointed.

### JHM 2 Sp. z o.o.

In the period from 01/01/2021 to 31/12/2021, the Management Board of JHM 2 Sp. z o.o. performed its duties with an unchanged, one-person composition: Ms. Regina Biskupska - President of the Management Board. Pursuant to the Company's contract, the supervisory board was not appointed.

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

Mrs. Kaja Mirgos-Kwiatkowska, who has been a member of the Management Board of JHM DEVELOPMENT S.A. from 02/01/2020 and a member of the Management Board of Marywilska 44 sp. z o.o., from 01/08/2020 is the daughter of Mr. Jerzy Mirgos who, as at 31/12/2021, held 45.1% of the Issuer's shares.

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

### MIRBUD S.A.

Table: Remuneration of members of the management and supervisory bodies of the Parent in the period from 01/01/2021 to 31/12/2021

Name of the body	Position	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments	From sureties granted	Remuneration in subsidiaries	Total
Jerzy Mirgos	President of the Management Board	1,438	0	0	0	0	221	695	2,353
Sławomir Nowak	Vice-President of the Management Board	1,300	0	0	0	0	0	335	1,635
Paweł Korzeniowski	Member of the Management Board	1,087	0	0	0	0	0	50	1,137
Tomasz Sałata	Member of the Management Board	1,060	0	0	0	0	0	0	1,060
Ewa Przybył	Proxy	401	0	0	0	0	0	0	401
Anna Więzowska	Proxy	505						18	523
Hubert Bojdo	Member of the Supervisory Board	47	0	0	0	0	0	0	47
Agnieszka Bujnowska	Secretary of the Supervisory Board	53	0	0	0	0	0	101	154
Andrzej Zakrzewski	Member of the Supervisory Board	47	0	0	0	0	0	15	62
Waldemar Borzykowski	Member of the Supervisory Board	33	0	0	0	0	0	7	40

Artur Sociński	Member of the Supervisory Board	49	0	0	0	0	0	0	0	49
Wiesław Kosonóg	Chairman of the Supervisory Board	59	0	0	0	0	0	0	24	83
Radosław Niewiadomski	Deputy Chairman of the Supervisory Board	21							15	
Wiktoria Braun	Member of the Supervisory Board	47	0	0	0	0	0	0	0	47
<b>TOTAL</b>		<b>6,147</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>221</b>	<b>1,260</b>		<b>7,591</b>

Table: Remuneration of members of the management and supervisory bodies of the Parent in the period from 01/01/2020 to 31/12/2020

Name of the body	Position	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments	From sureties granted	Remuneration in subsidiaries	Total
Jerzy Mirgos	President of the Management Board	1,278	0	0	0	0	447	600	2,325
Sławomir Nowak	Vice-President of the Management Board	1,139	0	0	0	0	0	250	1,389
Paweł Korzeniowski	Member of the Management Board	846	0	0	0	0	0	44	890
Tomasz Sałata	Member of the Management Board	839	0	0	0	0	0	0	839
Ewa Przybył	Proxy	358	0	0	0	0	0	0	358
Hubert Bojdo	Member of the Supervisory Board	30	0	0	0	0	0	0	30
Agnieszka Bujnowska	Secretary of the Supervisory Board	36	0	0	0	0	0	76	112
Andrzej Zakrzewski	Member of the Supervisory Board	30	0	0	0	0	0	15	45
Waldemar Borzykowski	Member of the Supervisory Board	36	0	0	0	0	0	18	54
Artur Sociński	Member of the Supervisory Board	24	0	0	0	0	0	0	24
Wiesław Kosonóg	Chairman of the Supervisory Board	37	0	0	0	0	0	22	59



Wiktoria Braun	Member of the Supervisory Board	31	0	0	0	0	0	0	31
<b>TOTAL</b>		<b>4,684</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>447</b>	<b>1025</b>	<b>6156</b>

In the period from 01/01/2021 to 31/12/2021 members of the Issuer's management, supervisory and administrative bodies did not receive any awards or benefits for their functions, prizes or benefits except for the remuneration indicated in the table above.

### JHM DEVELOPMENT S.A.

The value of remuneration received by the members of the Management Board of JHM DEVELOPMENT S.A. in the period from 01/01/2021 to 31/12/2021 is presented in the table below.

Table: Remuneration of members of the management and supervisory bodies of JHM DEVELOPMENT S.A. in the period from 01/01/2021 to 31/12/2021

Name of the body	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments	Total
Management Board	1,732	0	0	0	0	1,732
Supervisory Board	79	0	0	0	0	79
<b>Total</b>	<b>1,842</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,842</b>

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

Name of the body	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments	Total
Management Board	1,379	0	0	0	0	1,379
Supervisory Board	88	0	0	0	0	88
<b>Total</b>	<b>1,467</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,467</b>

### KOBYLARNIA S.A.

The value of remuneration received by the members of the Management Board of KOBYLARNIA S.A. in the period from 01/01/2021 to 31/12/2021 is presented in the table below.

Table: Remuneration of members of the management and supervisory bodies of KOBYLARNIA S.A. in the period from 01/01/2021 to 31/12/2021

Name of the body	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments	Total
Management Board	1,714	0	0	0	0	1,714
Supervisory Board	55	0	0	0	0	55
<b>Total</b>	<b>1,769</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,769</b>

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

Name of the body	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments	Total
Management Board	1,757	0	0	0	0	1,757

Supervisory Board	55	0	0	0	0	55
<b>Total</b>	<b>1,812</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,812</b>

### MARYWILSKA sp. z o.o.

The value of remuneration of the Management Board members of Marywilka 44 Sp. z o.o. obtained in the period from 01/01/2021 to 31/12/2021 is presented in the table below.

Table: Remuneration of members of the management and supervisory bodies of Marywilka Sp. z o.o. in the period from 01/01/2021 to 31/12/2021

Name of the body	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments	Total
Management Board	976	0	0	0	0	976
Supervisory Board	81	0	0	0	0	81
<b>Total</b>	<b>1,057</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,057</b>

Table: Remuneration of members of the management and supervisory bodies of Marywilka Sp. z o.o. in the period from 01/01/2020 to 31/12/2020

Name of the body	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments	Total
Management Board	921	0	0	0	0	921
Supervisory Board	81	0	0	0	0	81
<b>Total</b>	<b>1,001</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,001</b>

### EXPO MAZURY S.A. w likwidacji

The value of remuneration received by the members of the Management Board of EXPO MAZURY S.A. in the period from 01/01/2021 to 31/12/2021 is presented in the table below.

Table: Remuneration of members of the management and supervisory bodies of EXPO MAZURY S.A. w likwidacji in the period from 01/01/2021 to 31/12/2021

Name of the body	Appointment benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments	Total
Liquidator	30	80	0	0	0	110
Supervisory Board	40	0	0	0	0	40
<b>Total</b>	<b>70</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>150</b>

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

Name of the body	Appointment benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments	Total
Management Board	111	0	0	0	0	111
Supervisory Board	39	0	0	0	0	39
<b>Total</b>	<b>150</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>150</b>

## OTHER COMPANIES OF THE GROUP

The Management Board did not receive any remuneration in the special purpose vehicle JHM 1 Sp. z o.o. in the period from 01/01/2021 to 31/12/2021.

The Management Board did not receive any remuneration in the special purpose vehicle JHM 2 Sp. z o.o. in the period from 01/01/2021 to 31/12/2021.

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

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

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

As at 31/12/2021, the Group Companies did not have any liabilities resulting from pensions and benefits of a similar nature for former members of the management, supervisory and administrative bodies, and liabilities related to those pensions.

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

No such events occurred in the reporting period.

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

No such events occurred in the reporting period.

## 12.9. Employees

The employment figures in the Companies of the MIRBUD Group as at 31/12/2021 and as at 31/12/2020 are presented in the tables below.

Table: Employment in the MIRBUD Group Companies as at 31/12/2021

Company	Employees employed under a contract of employment	Employees employed under other contracts
MIRBUD S.A.	427	137
KOBYLARNIA S.A.	310	58
JHM DEVELOPMENT S.A.	28	16
Marywilska 44 Sp. z o.o.	12	
JHM 1 Sp. z o.o.	1	
JHM 2 Sp. z o.o.	1	
TOB «МІРБУД»	0	0

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

Company	Employees employed under a contract of employment	Employees employed under other contracts
MIRBUD S.A.	377	124
KOBYLARNIA S.A.	249	45
JHM DEVELOPMENT S.A.	26	13
Marywilska 44 Sp. z o.o.	13	
JHM 1 Sp. z o.o.	1	
JHM 2 Sp. z o.o.	1	
EXPO MAZURY S.A. w likwidacji	2	0
TOB «МІРБУД»	0	0

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

## 12.10. Diversity policy

The MIRBUD Capital Group had no diversity policy in place in the first half of 2021. The Company employs people with appropriate qualifications and professional experience, without age or gender differences. The choice of staff depends entirely on the achievements, efficiency and professionalism of the individual candidates. Detailed data on employment by gender and age as well as people from the local community can be found in the non-financial report.

On 01/07/2021, the Group adopted a diversity policy. The diversity policy is available on the Company's website at: <https://mirbud.pl/strony/kodeks-etyki-zawodowej-2>

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

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

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

Prior to the conclusion of the aforementioned contract, the Issuer did not use the services of the audit firm POLAUDIT sp. z o.o. The audit firm was selected from among the firms recommended by the audit committee by the Supervisory Board pursuant to Resolution XII/2020 of 2 June 2020.

In the period from 01/01/2021 to 31/12/2021, the remuneration paid by the Issuer to the statutory auditor amounted to PLN 57 thousand.

In the period from 01/01/2021 to 31/12/2021, the Entity authorised to audit the financial statements, with the exception of the assurance service of the remuneration report of the Management Board and Supervisory Board for 2020, did not provide any other services to the Company.

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

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

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

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

On 25/02/2020, KOBYLARNIA S.A. as the leader of the consortium filed a lawsuit against the General Directorate for National Roads and Motorways for the value of the object of dispute of PLN 67,422 thousand, including a claim for indexation of the Consortium's remuneration in connection with the performance of investment development tasks: the Inowrocław bypass (connector), the Bolków bypass, construction of a section of the S5 expressway. The total value of disputes between KOBYLARNIA S.A. and the General Directorate for National Roads and Motorways as at 30/06/2021 amounted to PLN 71,820 thousand.

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

## 13. STATEMENT OF THE CAPITAL GROUP ON NON-FINANCIAL INFORMATION

MIRBUD Capital Group has prepared a separate report on non-financial information published together with the 2021 financial statements.

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

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

In the reporting period from 01/01/2021 to 30/06/2021, MIRBUD S.A. was subject to a set of corporate governance rules called “Best Practice for WSE Listed Companies 2016”, which is available to the public on the website of the Warsaw Stock Exchange in the section devoted to Corporate Governance Rules:

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

By Resolution No. 13/1834/2021 of 29 March 2021, the Warsaw Stock Exchange Board adopted new corporate governance rules for companies listed on the WSE Main Market - “Best Practice for WSE Listed Companies 2021” (Best Practice 2021, DPSN2021) as a further version of the set of corporate governance rules to which companies listed on the WSE are subject.

<https://www.gpw.pl/dobre-praktyki2021>

By way of a report dated 28/07/2021, transmitted through the EBI system, MIRBUD S.A. informed on the application of individual corporate governance rules, fulfilling the information obligation in this respect imposed on the Company by the WSE Rules until 31/07/2021. Statement on the application of individual corporate governance rules for companies listed on the WSE Main Market - “Best Practice for WSE Listed Companies 2021” MIRBUD S.A. has also posted at [www.https://relacje.mirbud.pl/lad-korporacyjny](https://relacje.mirbud.pl/lad-korporacyjny). Therefore, during the reporting period from 01/07/2021 to 31/12/2021, the Company was subject to the rules of corporate governance of companies listed on the WSE Main Market - “Best Practice for WSE Listed Companies 2021” (Best Practice 2021, DPSN2021) <https://www.gpw.pl/dobre-praktyki2021>.

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

In the period from 01/01/2021 to 30/06/2021, the Company applied the rules of the “Best Practice for WSE Listed Companies” with deviations of which the Issuer informed in the Report No. 1/2016 EBI of 06/12/2016.

Deviations concern the following rules:

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

The Company's note: The rule was not applied. The Company did not have a diversity policy in place. The Company employed people with appropriate education, qualifications and professional experience, without age or gender differences. The choice of staff depended entirely on experience, achievements, efficiency and professionalism of the individual candidates.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company's note: Starting from 01 July 2020, the Company applies the Remuneration Policy for the Members of the Management Board and the Supervisory Board of MIRBUD Spółka Akcyjna, adopted by way of Resolution No. 23/2020 of the Ordinary General Meeting of Shareholders of MIRBUD S.A. with its registered



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

The first remuneration report covering the years 2019-2020 was submitted by the Supervisory Board of MIRBUD S.A. at the General Meeting on 24 June 2021, in accordance with the provision of Article 90g of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of July 29, 2005. This report provided a comprehensive overview of remuneration, including all benefits, regardless of form, received by or payable to individual members of the Management Board and Supervisory Board. Due to the fact that the Remuneration Policy of MIRBUD S.A. was adopted by way of Resolution 23/2020 of 30 June 2020, with the date of application as of 1 July 2020, the first report was the first document of this kind, also presenting information for the period in which MIRBUD S.A. did not have regulations set forth in the Remuneration Policy. The financial year 2019 disclosures were presented in the report as used by the Company prior to the adoption of the Remuneration Policy, i.e., based on data from the 2019 annual periodic report.

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

The Company's note: The Company did not apply the above recommendation until 30 June 2020 due to the lack of an adopted remuneration policy. Starting from 01 July 2020, the Company applies the Remuneration Policy for the Members of the Management Board and the Supervisory Board of MIRBUD Spółka Akcyjna, adopted by way of Resolution No. 23/2020 of the Ordinary General Meeting of Shareholders of MIRBUD S.A. with its registered office in Skierniewice on 30 June 2020. In the Company's opinion, the adopted Remuneration Policy is closely linked to the Company's strategy, its short- and long-term objectives, long-term interests and results, and takes into account solutions aimed at avoiding discrimination on any grounds. Description of application of the above rule is given in the explanation of non-application of the rule **VI.R.1**.

**In the period from 01/07/2021 to 31/12/2021** the Company applied the rules of corporate governance of companies listed on the WSE Main Market - "Best Practice for WSE Listed Companies 2021" (Best Practice

2021, DPSN2021) with deviations about which the Issuer informed in the report of 28/07/2021 transferred via the EBI system.

Deviations concern the following rules:

**1.2. The Company shall make it possible to review its financial results in the periodic report as soon as possible after the end of the reporting period or, if this is not possible for justified reasons, it shall publish at least preliminary estimated financial results as soon as possible.**

The Company's note: The rule is applied to the interim report. Beginning with the publication of the 2021 annual report, the company will implement the application of this rule to all periodic reports.

**1.3. The company also incorporates ESG topics into its business strategy, specifically including:**

**1.3.1. environmental issues, including risk indices related to climate change, and sustainability issues;**  
**1.3.2. social and employment issues, concerning, among other things, actions taken and planned to ensure gender equality, proper working conditions, respect for employees' rights, dialogue with local communities, and customer relations.**

The Company's note: The rule is applied with regard to ESG topics - item 1.3.2. - The Company publishes the information in question in its annual reports on non-financial information. Beginning with the 2021 report, the scope of the information presented will be expanded to include the issues in item 1.3.1.

**1.4. To ensure proper communication with stakeholders regarding the adopted business strategy, the company shall post on its website information about the assumptions of its strategy, measurable objectives, including in particular long-term objectives, planned activities and progress in its implementation, defined by means of financial and non-financial indices. Information on ESG strategy should, among other things:**

**1.4.1. explain how climate change issues are taken into account in the decision-making processes of the company and its group entities, indicating the resulting risks;**  
**1.4.2. present the value of the equal remuneration ratio paid to its employees, calculated as the percentage difference between the average monthly remuneration (including bonuses, awards and other allowances) of women and men for the last year, and present information on the actions taken to eliminate any inequality in this respect, together with a presentation of the risks associated with this and the time horizon over which equality is planned to be achieved.**

The Company's note: This rule is not applied. In terms of items 1.4.1 to 1.4.2, the Company will expand the scope of information presented in annual reports on non-financial information starting from the report for 2021.

**2.1. The Company should have a diversity policy for the management board and the supervisory board, adopted by the supervisory board or the general meeting, respectively. The diversity policy sets out diversity objectives and criteria in areas such as gender, education, expertise, age and work experience, among others, and indicates when and how the achievement of these objectives will be monitored. In terms of gender diversity, the condition for ensuring the diversity of corporate bodies is that the minority shareholding in a given body is no less than 30%.**

The Company's note: This rule is applied. The Company has a Diversity Policy which is published at <https://mirbud.pl/strony/kodeks-etyki-zawodowej-2>. Diversity management at MIRBUD S.A. and companies of the MIRBUD Capital Group concerns all employees and key positions. Diversity is understood to mean that every person is important regardless of gender, age, health status, sexual orientation, religion, marital status, race, country of origin or form of employment and political beliefs. The companies in the MIRBUD Capital Group apply workplace management principles without discrimination or inappropriate behaviours which could

compromise the integrity or self-esteem of employees. The Diversity Policy of the MIRBUD Capital Group implements the following UN Sustainability Goals: Goal 10 – less inequality and Goal 5 – gender equality. The goals of the adopted Diversity Policy are active management of diversity as part of human resources management policy, creating an open and diverse working environment, preventing all forms of discrimination, ensuring equal opportunities in access to information on ethical standards in force at the MIRBUD Group. The policy of the MIRBUD Capital Group does not impose any barriers based on gender, age, health status, sexual orientation, religion, marital status, race, country of origin or form of employment and political beliefs. MIRBUD S.A. and companies from the MIRBUD Capital Group also make every effort to ensure equal representation of women and men in Management and Supervisory Board positions in companies. Due to the diversity of the segments of activity of the MIRBUD Capital Group companies and the fact that the leading activity is the construction and assembly segment which requires typically technical education and qualifications, the analysis of compliance with best practice in employment in management bodies is carried out jointly for all Group Companies. MIRBUD pays attention to diversity when selecting and appointing Management Board members and proposing candidates for Supervisory Board members. In deciding on the composition of the Management Board, the Supervisory Board aims to ensure its diversity, in particular with regard to age, education, work experience and the number of women involved. With respect to the composition of the Supervisory Board, the age structure of the Board members should be diverse. In addition, it seeks to ensure that its members have relevant education and work experience. Attention is further drawn to the issue of adequate number of women involved. The composition of the Supervisory Board takes into account the ideas underlying the diversity policy. The Supervisory Board includes shareholder representatives as well as individuals with extensive knowledge and experience in organisation and management, construction as well as economics. The purpose of the adopted Diversity Policy of the MIRBUD Capital Group is to strive to ensure the versatility of the Management Board and Supervisory Board by shaping their composition in a manner which ensures diversity. Implementation of the Diversity Policy is constantly monitored and applies to all companies within the MIRBUD Capital Group. A detailed scope of monitoring is defined in the resolution adopted by the leading entity of the MIRBUD S.A. Group – “ESG Strategy” published at <https://mirbud.pl/strony/zrownowazony-rozwoj>

**2.11. In addition to its activities under the law, once a year the Supervisory Board shall prepare an annual report and present it to the ordinary general meeting for approval. The report referred to above shall include at least:**

- 2.11.1 information on the composition of the Board and its committees with an indication of which members of the Board meet the independence criteria set out in the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight, and which of them do not have actual and significant links with a shareholder holding at least 5% of the total number of votes in the company, as well as information on the composition of the Supervisory Board in the context of its diversity;**
- 2.11.2 summary of activities of the Board and its committees;**
- 2.11.3 an assessment of the company’s situation on a consolidated basis, including an evaluation of the internal control systems, risk management, compliance and the internal audit function, together with information on the actions the Supervisory Board has taken to make this assessment; this assessment shall include all relevant control mechanisms, including in particular those relating to reporting and operations;**
- 2.11.4 an assessment of the company’s application of the rules of corporate governance and the manner of fulfilling information obligations concerning their application, specified in the Stock Exchange Rules and regulations concerning current and periodic information provided by issuers of securities, together with information on actions taken by the Supervisory Board to make this assessment;**
- 2.11.5 an assessment of the reasonableness of expenditures referred to in rule 1.5;**

**2.11.6 information on the extent to which the diversity policy is implemented with respect to the Management Board and the Supervisory Board, including the achievement of goals referred to in rule 2.1.**

The Company's note: The rule is applied to detailed items 2.11.1, 2.11.2, 2.11.3 and 2.11.4. With respect to detailed items 2.11.5 and 2.11.6, the rule will apply beginning in 2022.

**3.2 The Company shall separate in its structure the units responsible for the tasks of particular systems or functions, unless this is not justified by the size of the company or the nature of its activities.**

The Company's note: This rule is not applied due to the scale of the Company's operations and the lack of diversification of business segments where the Company is active.

**3.3 A company included in the WIG20, mWIG40 or sWIG80 index shall appoint an internal auditor heading the internal audit function, operating in accordance with generally accepted international standards of professional internal audit practice. In other companies where no internal auditor meeting the above requirements has been appointed, the audit committee (or the supervisory board, if this body performs the functions of an audit committee) shall annually assess whether there is a need to appoint such a person.**

The Company's note: This rule is not applied. The Company conducts internal audits in accordance with ISO and AQUAP standards; however, it strives to fully implement this rule.

**3.5 Persons responsible for risk management and compliance report directly to the president or another member of the management board.**

The Company's note: This rule is applied. By Resolution No. 13/2021 of the Management Board of 15 October 2021, acting pursuant to Resolution No. 13/1834/2021 of 29 March 2021 of the Warsaw Stock Exchange concerning the adoption of new corporate governance rules for companies listed on the WSE Main List, "Best Practice for WSE Listed Companies 2021" (Best Practice 2021, DPSN2021), in order to maintain effective internal control, risk management and compliance systems, as well as an effective internal audit function, a Management Board plenipotentiary for compliance and a Management Board plenipotentiary for internal audit were appointed in MIRBUD S.A., who report directly to the President of the Management Board within the organisational structure of the Company. The resolution came into force with effect from 01 July 2021.

**3.6 The head of internal audit reports organisationally to the president of the management board and functionally to the chairman of the audit committee, or to the chairman of the supervisory board if this body serves as the audit committee.**

The Company's note: This rule is not applied. The Company strives to fully implement this rule, as described in item 3.3.

**3.7 Rules 3.4 to 3.6 also apply to entities in the company's group which are material to the company's operations, if they have designated individuals to perform these tasks.**

The Company's note: This rule is not applied. The Company applies this rule to the extent of items 3.4 and 3.5, however, full application of the rule will be possible after implementation of the rule in item 3.3.

**3.8 At least once a year, the person responsible for internal audit, or, if no such function has been established in the company, the company's management board, shall present to the supervisory**

**board an assessment of the effectiveness of the systems and functions referred to in rule 3.1, together with an appropriate report.**

The Company's note: This rule is not applied. Application of the rule will be possible after implementation of the rule in item 3.3.

**3.10. At least once every five years a company included in WIG20, mWIG40 or sWIG80 index will have its internal audit function reviewed by an independent auditor selected with the participation of the audit committee.**

The Company's note: This rule is not applied. Application of the rule will be possible after implementation of the rule in item 3.3.

**4.1. The company should enable shareholders to participate in a general meeting using electronic means of communication (general e-meeting) if this is justified by the expectations of shareholders communicated to the company, as long as it is able to provide the technical infrastructure necessary for holding such a general meeting.**

The Company's note: The rule is not applied due to the lack of possibility to provide technical infrastructure as required by law. Implementation of the rule is not considered in particular due to the lack of notifications from shareholders.

**4.3. The company shall provide a publicly available real-time broadcast of the general meeting.**

The Company's note: This rule is not applied. The company will implement the rule beginning in 2022.

**6.2. Incentive programmes should be structured in such a manner that, among other things, they make the level of remuneration of members of the company's management board and its key managers dependent on the actual, long-term position of the company in terms of financial and non-financial performance and long-term growth of shareholder value and sustainable development, as well as stability of the company's operations.**

The Company's note: This rule is not applied. The company has not implemented incentive programmes, however, the level of remuneration and bonuses for members of the Management Board and key managers depend on the long-term position of the company.

**6.3. If one of the company's incentive programmes is the managerial options programme, then the execution of the options programme should be conditional on the eligible persons' fulfilment, within a period of at least 3 years, of pre-determined, company-realistic and adequate financial and non-financial objectives as well as sustainable development objectives, and the set price for the acquisition of shares by the eligible persons or settlement of the options may not differ from the value of the shares at the time the programme is adopted.**

The Company's note: This rule is not applied. The company does not have a managerial option programme.

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

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

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

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

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

#### 14.4. Shareholders with significant share packets

As at 31/12/2021, the share capital of the Company is divided into 91,744,200 fully paid ordinary registered shares with a nominal value of PLN 0.10 each.

Table: Ownership structure of the share capital as at 31 December 2021

Shareholder	Number of shares held	Share in the share capital	Number of votes	% share in the total number of votes
Jerzy Mirgos	41,371,064	45.1%	41,371,064	45.1%
Nationale-Nederlanden Open Pension Fund	9,171,837	9.99%	9,171,837	9.99%
Other shareholders	41,201,299	44.92%	41,201,299	44.92%
<b>Total</b>	<b>91,744,200</b>	<b>100.00%</b>	<b>91,744,200</b>	<b>100.00%</b>

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

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

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

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

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

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

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

In accordance with § 18 section 1, item 3 and section 2 of the Articles of Association of MIRBUD S.A., its amendment shall be made by way of a resolution of the General Meeting of Shareholders adopted at the request of the Management Board of the Company submitted together with a written opinion of the Supervisory Board or at the request of the shareholders, who should be consulted by the Management Board of the Company and the Supervisory Board, pursuant to Article 415 of the Commercial Companies Code by a three-fourths majority of votes. The adopted changes are introduced by making an appropriate entry in the register of entrepreneurs.

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

The General Meeting meets as an Ordinary or Extraordinary one and, as a governing body of the Company, acts pursuant to the provisions of the Commercial Companies Code, the Company's Articles of Association and the provisions of the Regulations of the General Meeting of Shareholders of MIRBUD S.A., constituting an appendix to Resolution No. 27/2009 of the Extraordinary General Meeting of Shareholders of 23 October 2009 on the adoption of the Regulations of the General Meeting of Shareholders, as well as the principles arising from the "Best Practice for WSE Listed Companies".

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

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

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

Pursuant to § 2 of the Regulations, the General Meeting is convened by way of an announcement made on the Company's website and in the manner prescribed for the provision of current information in accordance with the regulations on public offerings and the conditions for introducing financial instruments to the organised trading system and on public companies. The announcement should be made at least **twenty-six** days before the date of the General Meeting. The content of the announcement of the General Meeting shall comply with the requirements of the Commercial Companies Code with respect to such announcements for public companies. If the Supervisory Board or entitled shareholders convene the General Meeting, such entities shall submit to the Management Board, in writing or in electronic form, the announcement of convening the General Meeting, draft resolutions, if it is planned to adopt resolutions and, if necessary, other materials to be presented to the General Meeting, at least thirty-one days prior to the date of the General Meeting. The Management

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

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

In accordance with §4 of the Regulations, the Chairman of the General Meeting manages its proceedings in a manner ensuring efficient and lawful conduct of the proceedings and adoption of resolutions provided for in the adopted agenda. Pursuant to §5 of the Regulations, immediately after signing the attendance list, the Chairman orders its display for inspection by the shareholders. The attendance list should contain a list of



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

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

Resolutions of the General Meeting shall be recorded in the minutes. The minutes of the General Meeting shall be drawn up by a notary public in the form of a notarial deed. Non-compliance with this obligation shall result in absolute nullity of the resolutions. The minutes should be accompanied by the evidence of convening the General Meeting and the proposed agenda, the attendance list signed by the participants of the General Meeting and the Chairman, powers of attorney and other documents submitted by the representatives of the shareholders. Irrespective of the notary public, the Chairperson of the General Meeting may order the preparation of full minutes of the General Meeting recording the course of the General Meeting and the content of individual statements in a comprehensive manner. Minutes shall be taken by a Secretary elected by the

General Meeting. The minutes of all General Meetings shall be included in the book of minutes kept by the Management Board. Each shareholder not even participating in the General Meeting may inspect the book of minutes of the General Meetings and request the issuance of copies of all or part of the minutes, against payment.

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

In the period from 01/01/2021 to 31/12/2021, the Management Board of MIRBUD S.A. consisted of four members.



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

### Jerzy Mirgos – President of the Management Board

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

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

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

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

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

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

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

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

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

According to § 29 of the Articles of Association, the Management Board is composed of 1 (one) to 5 (five) members. The number of members of the Management Board shall be determined by a separate resolution of the Supervisory Board. The number of members of the first Management Board shall be determined by a resolution on the Company's transformation. Members of the Management Board or the entire Management Board shall be appointed by the Supervisory Board. The members of the first Management Board are appointed by way of a resolution on transformation of the Company. Members of the Management Board are appointed for an individual term of office lasting five years from the date of their appointment. Pursuant to § 31 of the Articles of Association, the Management Board conducts the Company's affairs and represents the Company. The Regulations of the Management Board specifying in detail the Management Board procedures were amended by Resolution No. 7/2021 of the Management Board of MIRBUD S.A. dated 27 July 2021, following approval of the Regulations of the Management Board by Resolution of the Supervisory Board No. XVII/2021 dated 27 July 2021. The consolidated text of the Regulations of the Management Board is attached to Resolution of the Management Board No. 7/2021 dated 27 July 2021, published at <https://relacje.mirbud.pl/strony/dokumenty-korporacyjne-1>.

The Regulations shall be adopted by the Management Board and approved by the Supervisory Board by way of a resolution. The President of the Management Board shall have the casting vote. Resolutions of the Management Board are adopted at meetings by an absolute majority of votes. A resolution of the Management Board is required in matters provided for by law and the Articles of Association, in particular in matters exceeding ordinary management:

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

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

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

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

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

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

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

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

As at 31/12/2021, the Issuer's Supervisory Board was composed of the following persons:

*Table: Composition of the MIRBUD S.A. Supervisory Board in the period from 01/01/2021 to 31/12/2021*

Name and surname	Position
<b>Wiesław Kosonóg</b>	Chairman of the Supervisory Board
<b>Waldemar Borzykowski</b>	Deputy Chairman of the Supervisory Board (until 23/06/2021)
<b>Radosław Niewiadomski</b>	Deputy Chairman of the Supervisory Board (since 24/06/2021)
<b>Agnieszka Bujnowska</b>	Secretary of the Supervisory Board
<b>Hubert Bojdo</b>	Member of the Supervisory Board
<b>Andrzej Zakrzewski</b>	Member of the Supervisory Board
<b>Wiktoria Braun</b>	Member of the Supervisory Board
<b>Artur Sociński</b>	Member of the Supervisory Board

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

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

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

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

### **Radosław Niewiadomski - Deputy Chairman of the Supervisory Board**

He holds a higher education degree in economy. Graduated from the University of Łódź, Faculty of Economics and Sociology, majoring in Economics and Organisation of Industry, with the degree of Master of Economics. He has over 30 years of experience in finance and banking and has completed numerous courses and training in the area. He gained and perfected his professional experience as, among others, the Director or Deputy Director of Branches of Pekao S.A. and Kredyt Bank S.A., as well as the Inspector in the Finance Department of the Łowicz County Starosty. Currently, Mr. Radosław Niewiadomski is a member of the Supervisory Board of a subsidiary, JHM DEVELOPMENT S.A.

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

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

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

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

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

He holds a higher education degree. Graduated from the Military University of Technology in Warsaw, Faculty of Mechanics and Machine Construction, where he received the title of Master of Science. He gained experience in the construction industry working, among others, as the Manager of the Works Group in the Investment Department of the Skierniewice Construction Company. He worked as the Investment Supervision Inspector in the Fruit and Vegetable Processing Plant "HORTEX" Skierniewice, and also had his own business: Service company for water, sewage, CO, gas and ventilation systems.

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

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

## **Artur Sociński - Member of the Supervisory Board**

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

The Supervisory Board acts in accordance with the Commercial Companies Code and the Articles of Association of MIRBUD S.A., as well as on the basis of the Regulations of the Board which define in detail its organisation, manner of performing the activities and duties of members related to the function performed on the Board. As authorised by the Company's Articles of Association, the Supervisory Board established and adopted its Regulations by way of Resolution No. XXV of 17 November 2009, which were subsequently amended by Supervisory Board Resolution No. XV/2021 of 27 July 2021. The consolidated text of the Regulations of the Supervisory Board is attached to Resolution of the Supervisory Board No. XV/2021 dated 27 July 2021, published at <https://relacje.mirbud.pl/strony/dokumenty-korporacyjne-1>.

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

Meetings of the Supervisory Board shall be convened as necessary, but at least four times per financial year. Pursuant to § 26 of the Articles of Association, meetings of the Supervisory Board are convened by the Chairman or the Deputy. Meetings of the Supervisory Board of the Company shall be held in the place indicated in the notification. The first meeting of the Supervisory Board shall be convened by the Management Board of the Company. A request to convene a meeting of the Supervisory Board may be submitted by the Management Board and individual members of the Supervisory Board. The Chairman shall convene a meeting of the Supervisory Board within two weeks of the date of receiving the request. Meetings of the Supervisory Board, except for matters directly related to the Management Board or its members, especially dismissal, responsibility and determination of remuneration, are available and disclosed to the members of the Management Board. The shareholders (or their proxies), whose motions or appeals are the subject of the meeting, are also entitled to participate in a part of the Board's meeting; if the invited shareholder or his proxy, holding a written power of attorney, fails to report to the Board's meeting without prior notification of the Board about an obstacle to appearance, the Board shall consider the motion or appeal in absentia by notifying the person concerned of the decision taken by registered letter. Resolutions of the Supervisory Board may be adopted if at least half of its members are present at the meeting and all its members have been invited to the meetings of the Board in accordance with the principles set forth in the Regulations of the Supervisory Board. An invitation to a Board meeting shall be delivered to the Board members personally or by registered mail or to a designated e-mail address. An invitation to a Board meeting should be delivered in time to enable Board members to familiarise themselves with the proposed agenda and prepare for the Board meeting. Notwithstanding the above provisions, the Supervisory Board may waive the requirement of prior notification if all members of the Board are present at the meeting and none of them raises an objection to the time and place of the meeting as well as to the proposed agenda. When there are no important reasons, the agenda of the Supervisory Board meeting should not be changed or supplemented during the meeting to which it relates. The above requirement shall not apply if all members of the Supervisory Board are present and agree to amend or supplement the agenda, as well as if taking certain actions by the Supervisory Board is necessary to protect the Company against damage. Resolutions of the Supervisory Board may be adopted on any matter adopted for consideration in the agenda adopted in an open voting; each member of the Supervisory Board

may submit a motion for including or deleting the matter from the agenda until the beginning of the vote on the agenda. Resolutions of the Supervisory Board shall be signed by all present members of the Supervisory Board.

Resolutions of the Board may be adopted if at least half of its members are present at the meeting and all its members have been invited to the meetings of the Board in accordance with the principles set forth in the Regulations of the Supervisory Board. Resolutions of the Supervisory Board shall be adopted by an absolute majority of votes. Voting at Board meetings shall be open unless otherwise required by law. Members of the Supervisory Board voting against a resolution may submit a dissenting opinion to the minutes.

The Supervisory Board may pass resolutions in writing or by means of direct remote communication. Resolutions passed in writing are valid as if they were passed at a properly convened meeting if signed by a majority of members of the Supervisory Board. The Supervisory Board adopts resolutions by way of a written procedure in accordance with the following principles: a) the Chairman or a member of the Supervisory Board authorised in writing by the Chairman shall send to all members of the Supervisory Board draft resolutions to be adopted by way of a written procedure, taking into account § 7 section 9 of the Regulations, together with materials related to adopting the said resolution and information about the deadline by which a copy of the resolution signed by the member of the Supervisory Board must be sent; b) a member of the Supervisory Board shall immediately complete and sign a copy of the resolution and send it to the address indicated by the Chairman or a member of the Supervisory Board authorised by the Chairman; if a copy of the signed resolution is sent by fax or e-mail, the member of the Supervisory Board is also obliged to immediately send the original of the signed resolution; c) the date of adoption of the resolution shall be the date indicated on the copy of the resolution which was received as the last one within the deadline referred to in letter a). The Supervisory Board meeting may also be attended by means of direct remote communication. The Supervisory Board may adopt resolutions using means of direct remote communication. A resolution shall be valid when all members of the Board have been notified of the content of the draft resolution and at least half of the members of the Board have participated in adopting the resolution. If the Supervisory Board adopts resolutions use the means of direct remote communication, such means should at least enable simultaneous communication by all members of the Supervisory Board participating in adopting resolutions in this mode. The Supervisory Board may adopt resolutions in writing or by means of direct remote communication also in matters for which the Articles of Association provide for voting by secret ballot, provided that none of the Supervisory Board members raises an objection.

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

Members of the Supervisory Board should be able to devote the necessary amount of time to perform their duties. Members of the Supervisory Board should take appropriate action to receive from the Management Board regular and complete information on all important matters concerning the Company's and the Capital Group's operations as well as on the risks related to the conducted operations and the methods for managing such risks. Information on personal, factual and organisational relations of a Supervisory Board member with a specific shareholder, in particular with a majority shareholder, should be publicly available. The Company should obtain such information from members of the Supervisory Board and publish it. A member of the Supervisory Board should enable the Management Board to provide information in a public and appropriate manner on the sale or acquisition of shares in the Company or in its parent or subsidiary, as well as on transactions with such companies, provided that they are material to their financial situation. A member of the Supervisory Board should, above all, bear in mind the interests of the Company and the capital group. A member of the Supervisory Board should avoid any professional or non-professional activity which might lead to a conflict of interest or influence their reputation as a member of the Supervisory Board. A member of the Supervisory Board shall inform the other members of the Board of any conflict of interest which has arisen or



may arise, and shall not take part in the consideration of any matter in which a conflict of interest may arise in relation to that member. If a member of the Supervisory Board determines that a decision of the Supervisory Board is contrary to the interest of the Company, that member of the Supervisory Board should request that their dissenting opinion on the matter be included in the minutes of the meeting of the Supervisory Board. A Supervisory Board member should not resign from their function during the term of office, if it could preclude the operation of the Board, and in particular, if it could preclude timely adoption of a significant resolution.

In addition to its activities under the law, once a year the Supervisory Board shall prepare an annual report and present it to the Ordinary General Meeting for approval. The report referred to above includes at least a) information on the composition of the Board and its committees with an indication of which members of the Board meet the independence criteria set out in the Act on Statutory Auditors, Audit Firms and Public Oversight, and which of them do not have actual and significant links with a shareholder holding at least 5% of the total number of votes in the company, as well as information on the composition of the Supervisory Board in the context of its diversity; b) summary of activities of the Board and its committees; c) an assessment of the company's situation on a consolidated basis, including an evaluation of the internal control systems, risk management, compliance and the internal audit function, together with information on the actions the Supervisory Board has taken to make this assessment; this assessment shall include all control mechanisms, including in particular those relating to reporting and operations d) an assessment of the company's application of the rules of corporate governance and the manner of fulfilling information obligations concerning their application, specified in the Stock Exchange Rules and regulations concerning current and periodic information provided by issuers of securities, together with information on actions taken by the Supervisory Board to make this assessment; e) an assessment of the reasonableness of expenditures incurred by the Company and its group in a given year for the support of culture, sports, charitable institutions, the media, social organisations, trade unions, etc.; f) information on the extent to which the diversity policy is implemented with respect to the Management Board and the Supervisory Board, including the achievement of the diversity policy goals. The Supervisory Board carries out an evaluation of its work once a year and presents it to the ordinary General Meeting. The Supervisory Board gives its opinion on draft resolutions submitted by the Management Board to the agenda of the General Meeting. In the event that a transaction between the Company and a related entity requires the approval of the Supervisory Board, prior to adopting a resolution on approval, the Supervisory Board shall assess whether it is necessary to first seek the opinion of an external entity which will conduct a valuation of the transaction and an analysis of its economic impact. If the conclusion of a transaction with a related entity requires approval of the General Meeting, the Supervisory Board shall prepare an opinion on the validity of concluding such a transaction. In such a case, the Board assesses the need to first consult with an external entity to perform a valuation of the transaction and an analysis of its economic impact. The Supervisory Board may appoint permanent or ad hoc specialist or advisory teams which, upon the request of the Supervisory Board, shall prepare opinions, expert opinions or forecasts necessary to take decisions which are optimal from the perspective of the Company's and the capital group's interests.

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

- 1) appointing and dismissing members of the Company's Management Board and determining the number of members of the Company's Management Board,
- 2) determining the principles and amounts of remuneration for the members of the Management Board,
- 3) giving consent to any benefits by the Company and any entities related to the Company for the members of the Management Board and for the benefit of entities related to them,
- 4) granting consent for the Company or its subsidiary to enter into a material contract with a related entity or a related entity of a member of the Management Board or the Supervisory Board,
- 5) concluding, with the consent of the General Meeting, contracts for the performance of management in the Company,
- 6) granting permission to establish branches abroad, at the request of the Management Board,
- 7) selecting an audit firm to audit or review the financial statements of the Company and the capital group and granting consent to the conclusion of contracts with such an entity or its related entities and to

- perform any other activities that may limit the independence of such an entity in auditing or reviewing the financial statements of the Company and the capital group,
- 8) assessing the financial statements, both as regards their consistency with the books and documents, and with the factual status,
  - 9) assessing the Management Board's reports on the Company's and the capital group's operations and the Management Board's motions regarding the distribution of profit or coverage of losses,
  - 10) submitting to the Ordinary General Meeting of Shareholders a written report on the results of the activities referred to in points 8 and 9, containing a concise assessment of the situation of the Company and the capital group,
  - 11) giving consent for the Company to establish another company and take up or purchase shares in other companies,
  - 12) giving consent to the performance of the activities referred to in § 31 sections 5 and 6 of the Company's Articles of Association,
  - 13) approving the Regulations of the Management Board.

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

The remuneration of the Supervisory Board members is determined by the General Meeting on the basis of transparent procedures and principles. Starting from 01 July 2020, the Company applies the Remuneration Policy for the Members of the Management Board and the Supervisory Board of MIRBUD Spółka Akcyjna, adopted by way of Resolution No. 23/2020 of the Ordinary General Meeting of Shareholders of MIRBUD S.A. with its registered office in Skierniewice on 30 June 2020, adopted on the basis of Article 90d section 1 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies dated 29 July 2005 (consolidated text: Journal of Laws of 2019, item 623, as amended) and constitutes an appendix to Resolution No. 23/2020. The remuneration of the Supervisory Board members does not constitute a material item of the costs of the Company's activity and does not have a serious impact on its financial result. The total amount of remuneration of all members of the Supervisory Board, as well as individual remuneration of each member of the Supervisory Board, divided additionally into its components, is disclosed in the annual report, together with information on the procedures and rules of its determination. The activities of the Supervisory Board are financed from the Company's own funds at its expense, which delegates the administrative and financial resources necessary to ensure the efficient functioning of the Supervisory Board.

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

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

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

#### **The Supervisory Board, by way of Resolution No. XIII/2019 of 31 May 2019, established the following composition of the Audit Committee:**

1. Waldemar Borzykowski - Chairman of the Audit Committee until 23/06/2021
2. Wiesław Kosonóg - Secretary of the Audit Committee
3. Andrzej Zakrzewski - Member of the Audit Committee

Due to the resignation from the position in the Supervisory Board of the Company submitted on 23 June 2021 by the Chairman of the Audit Committee, Mr. Waldemar Borzykowski, and the expiry of his mandate, the Supervisory Board, by adopting Resolution No. XIII/2021 dated 25 June 2021, appointed Mr. Radosław Niewiadomski from among its members to the Audit Committee, entrusting him with the function of the Chairman of the Audit Committee of the MIRBUD S.A. Supervisory Board.

Waldemar Borzykowski - Chairman of the Audit Committee; has knowledge and skills in the field of accounting and also meets the independence criteria set out in Article 129(3) of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (Journal of Laws item 1089 of 6 June 2017), and meets the independence criteria set out in the "Best Practice for WSE Listed Companies 2016" (rule II.Z.4), and the criteria of the "Best Practice for WSE Listed Companies 2021" (Best Practice 2021, DPSN2021) since 01/07/2021.

Radosław Niewiadomski - Chairman of the Audit Committee; has knowledge and skills in the field of accounting and also meets the independence criteria set out in Article 129(3) of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (Journal of Laws item 1089 of 6 June 2017), and meets the independence criteria set out in the "Best Practice for WSE Listed Companies 2016" (rule II.Z.4), and the criteria of the "Best Practice for WSE Listed Companies 2021" (Best Practice 2021, DPSN2021) since 01/07/2021. Mr. Radosław Niewiadomski has a university degree in economy - he graduated from the University of Łódź, Faculty of Economics and Sociology, majoring in Economics and Organisation of Industry, with the degree of Master of Economics. He has over 30 years of experience in finance and banking and has completed numerous courses and training in the area. He gained and perfected his professional experience as, among others, the Director or Deputy Director of Branches of Pekao S.A. and Kredyt Bank S.A., as well as the Inspector in the Finance Department of the Łowicz County Starosty.

Wiesław Kosonóg - Secretary of the Audit Committee; meets the independence criteria set out in Article 129(3) of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (Journal of Laws item 1089 of 6 June 2017), and meets the independence criteria set out in the "Best Practice for WSE Listed Companies 2016" (rule II.Z.4), and the criteria of the "Best Practice for WSE Listed Companies 2021" (Best Practice 2021, DPSN2021) since 01/07/2021.

Andrzej Zakrzewski - Member of the Audit Committee; has professional experience in the construction industry. He holds a higher education degree. Graduated from the Military University of Technology in Warsaw, Faculty of Mechanical Engineering - Mechanics and Machine Construction, with the degree of Master Engineer. He gained experience in the construction industry working, among others, as the Manager of the Works Group in the Investment Department of the Skierniewice Construction Company. He worked as the Investment Supervision Inspector in the Fruit and Vegetable Processing Plant "HORTEX" Skierniewice, and also had his own business: Service company for water, sewage, CO, gas and ventilation systems.

The Audit Committee in its indicated composition meets the independence criteria and other requirements set out in Article 129(1), (3), (5) and (6) of the Act on Statutory Auditors, Audit Firms and Public Oversight (Journal of Laws of 2017, item 1089). The independence of the Audit Committee members is verified by the Supervisory Board.

The Audit Committee operated under the Audit Committee Regulations of the Supervisory Board adopted by Board Resolution No. XIV/2017 dated 30 November 2017 and from 27 July 2021 under the Audit Committee Regulations of the Supervisory Board adopted by Board Resolution No. XVI/2021. The consolidated text of the Audit Committee Regulations constitutes an appendix to Resolution No. XVII/2021 of the Supervisory Board and has been published at <https://relacje.mirbud.pl/strony/dokumenty-korporacyjne-1>.

The Audit Committee of MIRBUD S.A. held regular meetings during the period from 01/01/2021 to 31/12/2021.

Within the framework of monitoring the financial reporting process, internal control and risk management systems as well as auditing activities performed by the auditing company, the Audit Committee of MIRBUD S.A.: In financial year 2021, the Audit Committee of MIRBUD S.A. held 5 meetings.

The Company observes regulations regarding the appointment, composition and operation of the audit committee, including those regarding the fulfilment of independence criteria by its members and requirements for having knowledge and skills regarding the industry in which the issuer operates as well as in accounting or auditing financial statements. For financial year 2021, verification of the independence and knowledge and experience requirements of the Audit Committee members was conducted by the Supervisory Board on 26 April 2021.

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

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

- 1) the selection of the audit firm is made sufficiently in advance to allow the audit contract to be signed in time for the audit firm to review the interim financial statements and participate in the inventory-taking of significant assets;
- 2) when selecting an audit firm, the Audit Committee and the Supervisory Board of the Company pay particular attention to the need to maintain the independence of the audit firm and the statutory auditor, in particular the Audit Committee, when making its recommendation to the Supervisory Board of the Company, takes into account the scope of services provided by the audit firm and the statutory auditor during the last five years preceding the selection of the audit firm;
- 3) control and monitoring of the independence of the audit team and the audit firm shall be carried out at each stage, in particular: when considering bids submitted, before proceeding with the financial audit activity, also in case of continuation of the contract in the following financial year;
- 4) the selection of an audit firm is made taking into account the audit firm's experience in statutory audit of financial statements of public interest entities, including companies listed on the Warsaw Stock Exchange, and knowledge of the segments in which MIRBUD Capital Group companies operate, as well as the proposed price for the statutory audit;
- 5) the selection of an audit firm shall be made taking into account the principle of rotation of the audit firm and the key statutory auditor in such a manner that the maximum duration of uninterrupted mandates for statutory audits carried out by the same audit firm or an audit firm affiliated to that audit firm or any member of the network operating in the countries of the European Union to which those audit firms belong does not exceed five years and the key statutory auditor has not carried out the statutory audit in the Company for more than five years. The key statutory auditor may re-audit the Company after at least three years from the end of the last statutory audit.

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

- 1) Policy for selecting an audit firm to audit the financial statements of MIRBUD S.A. with its registered office in Skierniewice and the MIRBUD Capital Group;
- 2) Policy for selecting an audit firm to audit the financial statements of MIRBUD S.A. with its registered office in Skierniewice and the MIRBUD Capital Group;
- 3) Policy for the provision of permitted services other than auditing financial statements by the audit firm, entities related to the audit firm and by a member of the audit firm corporate network;

- 4) It established individual weights for selection criteria indicated in the “Policy for selecting an audit firm to audit the financial statements of MIRBUD S.A. with its registered office in Skierniewice and the MIRBUD Capital Group”.

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

The Audit Committee:

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

In accordance with the adopted regulations, the Audit Committee, by adopting Resolution No. III/2020 of 24/04/2020, recommended to the Supervisory Board the selection of an entity authorised to audit financial statements - Polaudit sp. z o.o. - as part of the extension of the agreement for the audit and review of financial statements of MIRBUD S.A. (separate and consolidated) prepared for subsequent financial years: 2020, 2021. Before making a recommendation (at the inquiry stage), the Audit Committee considered:

1. the representation submitted pursuant to Article 74 of the Act on Statutory Auditors;
2. the information disclosed in the transparency report published by Polaudit sp. z o.o. for the period from 01/07/2018 to 30/06/2019, in particular:
  - the representations of Polaudit sp. z o.o. on the policy applied to ensure independence and confirmation that an internal control of independence rules has been carried out
  - information on the total revenue earned by Polaudit sp. z o.o.
  - information on principles of remuneration of key statutory auditors

The audit firm Polaudit sp. z o.o., which audits the financial statements for the financial years 2019 and 2020, was the entity selected to provide an additional service to MIRBUD S.A. within the scope of permitted services, i.e. evaluation of the report on remuneration of the Management Board and Supervisory Board for the years 2019 and 2020.

The Audit Committee reviewed the bid submitted by Polaudit sp. z o.o. for the evaluation of the 2019 and 2020 Management and Supervisory Board Remuneration Report. He is familiar with the purpose and scope of the assurance service, the standard in accordance with which Polaudit sp. z o.o. will carry out the evaluation of the report (International Standard on Assurance Engagements 3000) and the proposed price for the service. Polaudit sp. z o. o. submitted the Declaration of Impartiality and Independence from MIRBUD S.A. to be assessed by the Audit Committee.

The Audit Committee, after reviewing all available information, concluded that:

- the service provided has no impact on the audited financial statements of MIRBUD S.A. and is not connected with the Company’s tax policy;
- the declaration of Polaudit sp. z o.o. and the key statutory auditor conducting the audit on maintaining independence requirements defined in the professional ethics rules and standards for services other than audit, respectively, by the audit firm accepting the contract and in terms of compliance with the

- provisions of Articles 69 to 73 of the Act on Statutory Auditors has been submitted and verified;
- Polaudit sp. z o.o. does not provide additional permitted services to entities controlled by MIRBUD S.A. (Capital Group Companies) which are not audits of financial statements;
  - total remuneration of Polaudit sp. z o. o. for the services provided to MIRBUD S.A. will not exceed the criterion referred to in the first paragraph of Article 4(2) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014.

The Audit Committee has not identified any threats to the independence of Polaudit sp. z o.o., the audit firm reviewing the financial statements of MIRBUD S.A. (separate and consolidated) in the event that Polaudit sp. z o.o. is selected to perform the assurance service consisting of the evaluation of the Management Board and Supervisory Board Remuneration Report for 2019 and 2020.

The Supervisory Board, by adopting Resolution No. VIII/2021 of 21 May 2021, consented to conclude an agreement with a statutory auditor to perform the assurance service - an assessment of the Management Board and Supervisory Board Members' Remuneration Report for 2019 and 2020.

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

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

1. The provision of services only to the extent not related to the tax policy of the audited entity is admissible after obtaining an opinion of the Audit Committee of the Supervisory Board of MIRBUD S.A. (hereinafter referred to as the "Audit Committee"), which services include in particular:
  - 1) services of conducting due diligence procedures in the field of economic and financial condition;
  - 2) services of issuing letters of assurance performed in connection with the prospectus of the audited entity, carried out in accordance with the national standard for related services and consisting of carrying out agreed procedures;
  - 3) assurance services with regard to pro forma financial information, performance forecasts or estimated results, included in the prospectus of the audited entity;
  - 4) audit of historical financial information in a prospectus as referred to in Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by charge and publication of such prospectuses and dissemination of advertisements;
  - 5) verification of consolidation packages;
  - 6) confirmation of the fulfilment of the conditions of the concluded credit agreements on the basis of an analysis of the financial information derived from the audited financial statements of the audit firm;
  - 7) assurance services for corporate governance reporting, risk management and corporate social responsibility;
  - 8) services to assess the compliance of information disclosed by financial institutions and investment firms with capital adequacy disclosure requirements and variable remuneration components;
  - 9) attestations concerning statements or other financial information intended for the supervisory authorities, the supervisory board or any other supervisory body of the company or its owners, outside the scope of the statutory audit and intended to assist those authorities in carrying out their statutory duties.
2. Ordering additional services which do not constitute an audit of financial statements for the benefit of the audit firm which conducts the audit of financial statements or an entity affiliated with that audit firm or a member of its network may only take place after the Audit Committee of MIRBUD S.A. has carried out an assessment of threats and safeguards for independence, in particular an assessment of whether

- the service provided has a significant impact on the audited financial statements.
3. Prior to awarding an order for the provision of permitted services which do not constitute an audit of financial statements, the Management Board of MIRBUD S.A. shall be obligated to submit to the Audit Committee the scope of services covered by the order together with a statement of the key statutory auditor conducting the audit concerning compliance with the independence requirements set forth respectively in the rules of professional ethics and standards for the provision of such services by the accepting audit firm, an entity related to the audit firm or a member of its network.
  4. Prior to the acceptance of an order to provide permitted non-audit services to entities controlled by MIRBUD S.A. by an audit firm auditing the financial statements of MIRBUD S.A., an entity related to that audit firm and a member of its network, the key certified auditor shall present for the assessment of the Audit Committee the scope of services covered by the order together with an opinion as to whether the service ordered may have a significant impact on the consolidated financial statements of the MIRBUD Capital Group.
  5. Where the total remuneration of an audit firm for the provision of additional non-audit services allowed to the audited entity, its parent or an entity controlled by it exceeds the criterion referred to in the first paragraph of Article 4(2) of Regulation No. 537/2014, the audit firm shall not undertake such provision except with the approval of the Audit Supervision Committee by administrative decision.

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