

MOBRUK

**THE MANAGEMENT BOARD'S REPORT
ON THE OPERATIONS OF Mo-BRUK SA CAPITAL GROUP
FOR THE PERIOD 01 JANUARY 2019 TO 30 JUNE 2019**

Niecew,
20 August 2019

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1. Operations of Mo-BRUK S.A. Capital Group in the period from 1 January 2019 to 30 June 2019

Mo-BRUK S.A. forms a capital group composed of Mo-BRUK S.A. – the parent undertaking in the capital group, and Raf-Ekologia sp. z o. o. – a wholly-owned subsidiary of Mo-BRUK S.A. There is no parent company in relation to the Issuer.

LIST OF COMPANIES IN WHICH THE GROUP HAS AT LEAST 20% OF SHARES IN THE EQUITY OR THE TOTAL NUMBER OF VOTES IN THE DECISION-MAKING BODY OF THE COMPANY AS AT THE BALANCE SHEET DATE				
Item	Name and registered office of company	% of shares held in the equity	% of votes in the decision-making body of the company	Type of relationship and consolidation method
1.	"RAF-EKOLOGIA" Spółka z o.o. 38-460 Jedlicze ul. Trzecieckiego 14	100	100	Full consolidation

In the period from 1 January 2019 to 30 June 2019, there were no changes in the organisation of the Capital Group.

Basic data of parent undertaking

(Business) name:	Mo-BRUK Spółka Akcyjna
Issuer's registered office:	Niecew
Issuer's legal form:	joint-stock company
Governing law:	the law of Poland and the law of the European Union
Country of Issuer's registered office:	the Republic of Poland
Issuer's address:	Niecew 68, 33-322 Korzenna
Telephone number:	+48 (18) 441 70 48
Fax number:	+48 (18) 441 70 99
E-mail:	mobruk@mobruk.pl
Website:	www.mobruk.pl
Number of entry into the National Court Register (KRS):	0000357598
NIP (Tax Identification Number):	734-32-94-252
REGON (Company Number):	120652729

Basic data of subsidiary

(Business) name:	Raf-Ekologia Spółka z ograniczoną odpowiedzialnością
Registered office:	Jedlicze
Legal form:	limited liability company
Governing law:	the law of Poland and the law of the European Union
Country of registered office:	the Republic of Poland

Address: ul. Trzecieckiego 14, 38-460
Jedlicze
Telephone number: +48 13 43 84 362
Fax number: +48 13 43 84 166
E-mail: rafekologia@rafekologia.pl
Website: www.rafekologia.pl
Number of entry into the National Court Register (KRS): 0000069313
NIP (Tax Identification Number): 6842198750
REGON (Company Number): 370484149

The Issuer's Management Board is composed of:

Józef Tadeusz Mokrzycki	President of the Management Board
Elżbieta Maria Mokrzycka	Deputy President of the Management Board
Anna Magdalena Mokrzycka-Nowak	Deputy President of the Management Board
Wiktor Jakub Mokrzycki	Deputy President of the Management Board
Tobiasz Jan Mokrzycki	Deputy President of the Management Board

The Issuer's Supervisory Board is composed of:

Kazimierz Janik	Chairperson of the Supervisory Board
Jan Basta	Member of the Supervisory Board
Adam Buchajski	Member of the Supervisory Board
Piotr Pietrzak	Member of the Supervisory Board
Konrad Paweł Turzański	Member of the Supervisory Board

On May 29, 2019, Mr. Adam Buchajski made a declaration of resignation as a Member of the Supervisory Board of Mo-BRUK S.A. with effect at the end of May 31, 2019. The reasons for the resignation have not been given.

On June 24, 2019, the Ordinary General Meeting, in connection with the earlier resignation of Mr. Adam Buchajski from membership of the Supervisory Board of the Company, pursuant to § 33.1 para. 1a point g of the Company's Articles of Association adopted a resolution on the appointment to the supervisory board of Mr. Łukasz Boroń.

In connection with the aforementioned resolution at the date of the Report, the Supervisory Board of the Issuer shall operate within the:

Kazimierz Janik	Chairperson of the Supervisory Board
Jan Basta	Member of the Supervisory Board
Łukasz Boroń	Member of the Supervisory Board
Piotr Pietrzak	Member of the Supervisory Board
Konrad Paweł Turzański	Member of the Supervisory Board

Mo-BRUK Spółka Akcyjna, a joint-stock company with its registered office in Niecew (Niecew 68, 33-322 Korzenna), is a company with legal personality, registered in the District Court in Kraków, the 12th Commercial Division, entered into the National Court Register under number 0000357598.

The duration of the Company is unlimited and it operates pursuant to the law of Poland.

From 1985, the Company operated as a sole proprietorship trading as “Mo-BRUK” Józef Mokrzycki. Up to 1996, the business objective was the production of terrazzo goods (tiles, window sills, stairs) and the main clients for the products were individual customers. In 1996, the Company expanded its business activity with broadly interpreted waste management including storage, treatment and recycling. Given the progressing development of the Company, its legal form was transformed on 1 April 2008 from sole proprietorship trading as Mo-BRUK Józef Mokrzycki into a limited partnership. On 1 June 2010, the Company was transformed into a joint-stock company.

Mo-BRUK S.A. has eight branches and one subsidiary. Next to the headquarters of the Company in Niecew, there is its Waste Recovery Plant and Concrete Pavement Construction Plant.

Three branches of the Company are located in Wałbrzych: Waste Recycling Plant that produces alternative fuels, Industrial Waste Dump and Coal Mud Recovery Plant.

The Alternative Fuel Production Plant started its operation in 2008 in Karsy (gmina of Ożarów) with industrial waste incineration plant commissioned in 2014.

In 2014, two more plants were opened: Non-Organic Waste Recovery Plant in Skarbimierz and Ferrous and Non-Ferrous Metal Recycling Plant in Zabrze.

Mo-BRUK SA also has its branch in Łęka (fuel station and diagnostic station).

Mo-BRUK holds 100% of shares in Raf-Ekologia Sp. z o. o.

Raf-Ekologia Sp. z o.o. was formed on 1 December 1999 in Krosno (Notarial Deed dated 1 December 1999, Register A No. 9397/99). The initial capital is equal to PLN 686,000.00 (six hundred and eighty-six thousand) and is divided into 6860 shares of nominal value equal to PLN 100.00 each. The Company has the following business objectives: thermal neutralisation of hazardous and non-hazardous waste, of which also medical and veterinary waste, with the extended list of types of waste, pursuant to the integrated permit No. ŚR.IV-6618-23/1/06 issued by the Voivode of Podkarpackie Voivodeship.

The initial capital of Mo-BRUK S.A.

On July 31, 2019, a change in the basic capital of Mo-BRUK S.A. was registered in the National Court Register by the District Court for Krakow – Downtown, 12th Commercial Division in Krakow. The change was made as a result of the purchase of own shares of 38,500 units with a nominal value of PLN 10 each on 21 September 2018 and adopted by the Ordinary General Meeting of Shareholders of Resolution No. 18/2019 of 24 June 2019 on the redemption of the Company's own shares.

As of the report day, the registered initial capital of Mo-BRUK S.A. is equal to PLN 35,728,850.00 (say: thirty-five million, seven hundred and twenty eight thousand, eight hundred and fifty zlotys and 00/100 grosz) and is divided into 3,572,885 (say: three million, five hundred and seventy two thousand, eight hundred and eighty-five) shares of nominal value of PLN 10.00 (say: ten zlotys and 00/100 grosz) each. The shares of the Company are as follows:

- 714,732 registered shares of series A (1,429,464 votes) - series A shares have seniority as to the voting right - 1 series A share carries 2 votes,
- 1,249,092 registered shares of series B (1,2749,092 votes) – series B shares are not preference shares,
- 1,609,061 bearer shares of series C (1,609,061 votes) – series C shares are not preference shares.

On 31 July 2019, the National Court Register was registered, a change in the designation of all existing shares of Mo-BRUK S.A. to bearer series C and D, recorded by the National Securities Depository S.A. under the code: PLMOBRK00013, as shares of series C. Changes were made as a result of the decision undertaken by the Ordinary General Meeting of Shareholders no. 19/2019 of 24. June 2019 on the reduction of the company's share capital, the creation of reserve, the change in the designation of the series of shares and the amendment of the Company's Articles of Association.

All shares in the initial capital were fully paid -up. Since 2010, the Company's shares have been traded in an alternative trading system New Connect and since 25 April 2012 and pursuant to the Resolutions of the Management Board of Giełda Papierów Wartościowych w Warszawie S.A. (the Warsaw Stock Exchange) Nos. 369/2012, 370/2012, 371/2012 dated 12 April 2012, 356,018 ordinary bearer shares of series C of the Issuer are listed on the parallel market run by Giełda Papierów Wartościowych S.A. in Warsaw. Shares in the number of 1,270,000 were listed on the parallel market on 30 March 2017 pursuant to the Resolution of the Management Board of Giełda Papierów Wartościowych w Warszawie S.A. (the Warsaw Stock Exchange) No. 301/2017 dated 27 March 2017. The remaining registered shares of series A and series B in the number of 1,963,824 are not dematerialised.

As at the date of publishing this report, the shareholding structure was as follows:

Shareholders	No of shares	Type of shares	Share in equity	No of votes at AGM	Share in votes at AGM
Value FIZ	1.515.409 ¹⁾	ordinary C shares	42,41%	1.515.409	35,95%
Józef Mokrzycki	702.642 ²⁾	registered A shares	19,72%	1.407.121	33,38%
	1.837	ordinary C shares			
Elżbieta Mokrzycka	370.833	registered B shares	10,38%	370.833	8,80%
Anna Mokrzycka-Nowak	285.701	registered B shares	8,00%	285.701	6,78%
Wiktor Mokrzycki	285.701	registered B shares	8,00%	285.701	6,78%
Tobiasz Mokrzycki	285.701	registered B shares	8,00%	285.701	6,78%
Others	65.061	ordinary C shares	1,82%	65.061	1,54%
Mo-BRUK S.A.	60 000 ³⁾	A,B,C shares	1,68%	0	0,00%
RAZEM:	3.572.885	-	100,00%	4.215.527	100,00%

Source: Issuer

¹⁾ on the basis of the information held by the Issuer.

²⁾ series A shares have seniority as to the voting right - 1 series A share carries 2 votes

³⁾ shares without voting rights acquired by the Issuer as part of the purchase of own shares

2. Explanations of the seasonality or cyclicity of the issuer's activities during the period presented.

The Group's activities do not show significant seasonality or cyclicity, which could significantly affect the periodic performance of the Issuer and the subsidiary.

3. Description of basic economic and financial values shown in the interim financial statements, in particular the description of factors and events, including those of extraordinary nature having a significant impact on the issuer's operations and profits gained or losses incurred in the accounting year and also the overview of prospects of the issuer's development at least in the coming accounting year.

While describing the financial and operating situation in this point, the Issuer used alternative measurements of results providing useful information on the financial situation, cash flows, financial efficiency and profitability by providing appropriate explanations that investors could understand their usefulness and reliability (ESMA guidelines "Alternative measurement of results" - 05 / 10/2015 ESMA / 2015 / 1415pl). These include:

1. EBITDA - profit before interest, taxation and depreciation (approximately cash from operating activities). EBITDA is calculated as operating profit (EBIT) increased by non-cash costs (Depreciation). Approximately EBITDA is the ability to generate cash through company assets. The higher EBITDA, the higher the ability to generate cash
2. Profit from sales margin - result from sales to net revenues from sales
3. EBITDA margin - result on operating activities increased by depreciation and amortisation to revenues from sales
4. Operating profit margin (EBIT) - result on operating activities to net revenues from sales
5. Net margin - net financial result to net revenues from sales
6. Ratio of net financial debt to EBITDA - the ratio of financial debt reduced by cash to operating profit increased by depreciation.

The Issuer hereby indicates that alternative measurement of results (APM) should not be given more weight, impact or power than measurements (data) directly resulting from the financial statements. The Issuer recommends that when analysing this point, pay attention primarily to the measurements (data) directly resulting from the financial statements.

SELECTED FINANCIAL DATA OF MO-BRUK S.A. CAPITAL GROUP (CONSOLIDATED)

SPECIFICATION	PLN		EUR	
	01.01.2019 - 30.06.2019	01.01.2018 - 30.06.2018	01.01.2019 - 30.06.2019	01.01.2018 - 30.06.2018
I. Sales	54 770 892	36 892 566	12 772 963	8 702 206
II. Operating profit	17 219 153	6 644 049	4 015 629	1 567 196
III. Profit before income taxes	16 838 484	6 013 479	3 926 855	1 418 457
IV. Net profit	13 587 417	4 875 129	3 168 683	1 149 944
V. Net cash from operating activities	18 172 265	9 773 709	4 237 902	2 305 419
VI. Net cash from investing activities	(113 548)	(963 212)	(26 480)	(227 202)
VII. Net cash from financing activities	(4 473 382)	(6 815 764)	(1 043 225)	(1 607 700)
VIII. Net cash total	13 585 335	1 994 732	3 168 197	470 517
IX. No of shares	3 611 385	3 611 385	3 611 385	3 611 385
X. Net profit per share (in PLN / EUR)	3,8	1,3	0,88	0,3

SPECIFICATION	PLN		EUR	
	As at 30.06.2019	As at 31.12.2018	As at 30.06.2019	As at 31.12.2018
XI. Total assets	182 504 271	173 396 487	42 921 983	40 324 764
XII. Total liabilities and provisions	69 281 838	64 078 954	16 293 941	14 902 082
XIII. Non-current liabilities	41 252 996	45 254 958	9 702 022	10 524 409
<i>of which:</i> Deferred revenues - grants	23 685 259	24 920 934	5 570 381	5 795 566
XIV. Current liabilities	28 028 842	18 823 995	6 591 920	4 377 673
<i>of which:</i> Deferred revenues - grants	2 431 238	2 411 800	571 787	560 884
XV. Total equity	113 222 432	109 317 533	26 628 041	25 422 682
XVI. Share capital	36 113 850	36 113 850	8 493 380	8 398 570
XVII. No of shares	3 611 385	3 611 385	3 611 385	3 611 385
XVIII. Book value per share (in PLN / EUR)	31,4	30,3	7,4	7,0

The presented financial data for the first half of 2019 and 2018 were calculated into EUR according with the following approach:

- elements of the statement of finance positions about:

- I half of 2019 – average exchange rate stated as of 28.06.2019 – 4,2520 PLN / EUR,

- 2018 – average exchange rate stated as of 31.12.2018 - 4,3000 PLN / EUR,

- elements of the statements of comprehensive income and cash flow – average exchange rate based on average exchange rates stated by the Polish Central Bank as of every last day of the every month in the reporting period: from 1 January 2019 to 30 June 2019 – 4,2880 PLN/EUR and 2018 (period: from 1 January 2018 to 30 June 2018) – 4,2395 PLN / EUR

SELECTED FINANCIAL DATA OF MO-BRUK S.A. (UNCONSOLIDATED)

SPECIFICATION	PLN		EUR	
	01.01.2019 - 30.06.2019	01.01.2018 - 30.06.2018	01.01.2019 - 30.06.2019	01.01.2018 - 30.06.2018
I. Sales	48 701 178	31 748 974	11 357 463	7 488 937
II. Operating profit	16 166 213	5 881 389	3 770 076	1 387 300
III. Profit before income taxes	16 950 820	5 173 295	3 953 052	1 220 275
IV. Net profit	13 912 531	4 187 774	3 244 502	987 811
V. Net cash from operating activities	17 588 270	8 860 155	4 101 710	2 089 930
VI. Net cash from investing activities	(31 627)	(513 301)	(7 376)	(121 077)
VII. Net cash from financing activities	(3 318 336)	(6 691 512)	(773 860)	(1 578 392)
VIII. Net cash total	14 238 306	1 655 343	3 320 475	390 462
IX. No of shares	3 611 385	3 611 385	3 611 385	3 611 385
X. Net profit per share (in PLN / EUR)	3,9	1,2	0,90	0,3

SPECIFICATION	PLN		EUR	
	As at 30.06.2019	As at 31.12.2018	As at 30.06.2019	As at 31.12.2018
XI. Total assets	176 440 473	166 887 608	41 495 878	38 811 072
XII. Total liabilities and provisions	68 041 800	62 718 947	16 002 305	14 585 802
XIII. Non-current liabilities	41 027 419	45 028 864	9 648 970	10 471 829
<i>of which: Deferred revenues - grants</i>	23 685 259	24 920 934	5 570 381	5 795 566
XIV. Current liabilities	27 014 381	17 690 083	6 353 335	4 113 973
<i>of which: Deferred revenues - grants</i>	2 431 238	2 411 800	571 787	560 884
XV. Total equity	108 398 673	104 168 660	25 493 573	24 225 270
XVI. Share capital	36 113 850	36 113 850	8 493 380	8 398 570
XVII. No of shares	3 611 385	3 611 385	3 611 385	3 611 385
XVIII. Book value per share (in PLN / EUR)	30,0	28,8	7,1	6,7

The presented financial data for the first half of 2019 and 2018 were calculated into EUR according with the following approach:

- elements of the statement of finance positions about:

- 1 half of 2019 – average exchange rate stated as of 28.06.2019 – 4,2520 PLN / EUR,

- 2018 – average exchange rate stated as of 31.12.2018 - 4,3000 PLN / EUR,

- elements of the statements of comprehensive income and cash flow – average exchange rate based on average exchange rates stated by the Polish Central Bank as of every last day of the every month in the reporting period: from 1 January 2019 to 30 June 2019 – 4,2880 PLN/EUR and 2018 (period: from 1 January 2018 to 30 June 2018) – 4,2395 PLN / EUR

The increase in the revenues from sales of the Capital Group by 48,5% in the first half of 2019 with lower dynamics of growth of operating costs equal to 19,9% in comparison to the first half of 2018 was translated in the achievement of the profit on sales equal to PLN 18.2 million which is the profit on sales in the same period in 2018 which was equal to PLN 6.4 million. The Issuer's Capital Group successively aims at the increase in the generated revenues from the sales of products and services which is most influenced by the most dynamically developing segment being the waste management that is the source of more than 90% of the Issuer's consolidated revenues. The improved situation of the Issuer's Capital Group in the scope of revenues from sales resulted from the acquisition of new business partners in the waste management market who ensured new flows of supplied waste to installations in the plants of the Issuer's Group as well as an increase in waste treatment charges resulting m.in. from the revision of waste management rules.

CONSOLIDATED INCOME STATEMENTS

SPECIFICATION	01.01.2019-30.06.2019	01.01.2018-30.06.2018
Sales	54 770 892	36 892 566
Total expenses:	36 535 714	30 462 213
Change of work in progress	-11 380	51 940
Depreciation	3 051 017	2 940 068
Energy and raw materials	5 754 847	5 036 240
Third parties services	12 793 681	8 411 662
Remunerations	8 232 649	7 293 908
Taxes and other duties	722 255	1 296 567
Other expenses	362 529	474 809
Cost of sold products	5 630 116	4 957 020
Profit from sales	18 235 178	6 430 351
Other operating income	212 007	325 694
Other operating expenses	1 228 032	111 997
EBITDA (Operating income + depreciation)*	20 270 170	9 584 117
EBIT (Operating income)**	17 219 153	6 644 049
Finance income	115 411	100 146
Finance costs	496 080	730 715
PROFIT BEFORE INCOME TAXES	16 838 484	6 013 479
Income tax	3 251 067	1 138 350
NET PROFIT	13 587 417	4 875 129

*/ EBITDA is an accounting measure that is not reflected in the effective IAS/IFRS and is not applied within the financial reporting. Therefore, in the Issuer's opinion, it is the so called Alternative Performance Measure (APM). The presented and calculated EBITDA is the total of the result (profit/loss) on operating activities and depreciation and amortisation. The APM refers to the reporting period specified in the heading of the table.

**/ EBIT is an accounting measure that is not reflected in the effective IAS/IFRS and is not applied within the financial reporting. Therefore, in the Issuer's opinion, it is the so called Alternative Performance Measure (APM). The presented and calculated EBIT is identical to the profit/loss on operating activities. The APM refers to the reporting period specified in the heading of the table.

The increase in the revenues from sales with the reduction of incurred costs of basic operating activities was reflected in the improvement of other indicators/ratios, of which also the EBITDA. In the first half of 2019, the Mo-BRUK S.A. Capital Group generated the EBITDA equal to PLN 20,3 million in comparison to PLN 9,6 million in the first half of 2018, which means more than twice the increase.

Profitability analysis of the Mo-BRUK Group

Specification	I half of 2019	I half of 2018
Profit from sales margin	33,3%	17,4%
EBITDA margin	37,0%	26,0%
Operating profit margin (EBIT)	31,4%	18,0%
Net margin	24,8%	13,2%

Ratio calculation algorithms:

Profit from sales margin = result from sales / net revenues from sales

EBITDA margin = result on operating activities + depreciation and amortisation / revenues from sales

Operating profit margin = result on operating activities / net revenues from sales

Net margin = net financial result / net revenues from sales

The Issuer's Capital Group also recorded the improvement in profitability ratios for the first half of 2019 in comparison with the same period in 2018. The sales profit margin increased from 17.4% to 33.3%, and the operating profit margin increased from 18.0% to 31.4%. In compared periods, a significant increase was also recorded for the net margin that increased from 13.2% to 24.8%, while the EBITDA margin increased to 37.0% from 26.0%.

Profit the Mo-BRUK Group

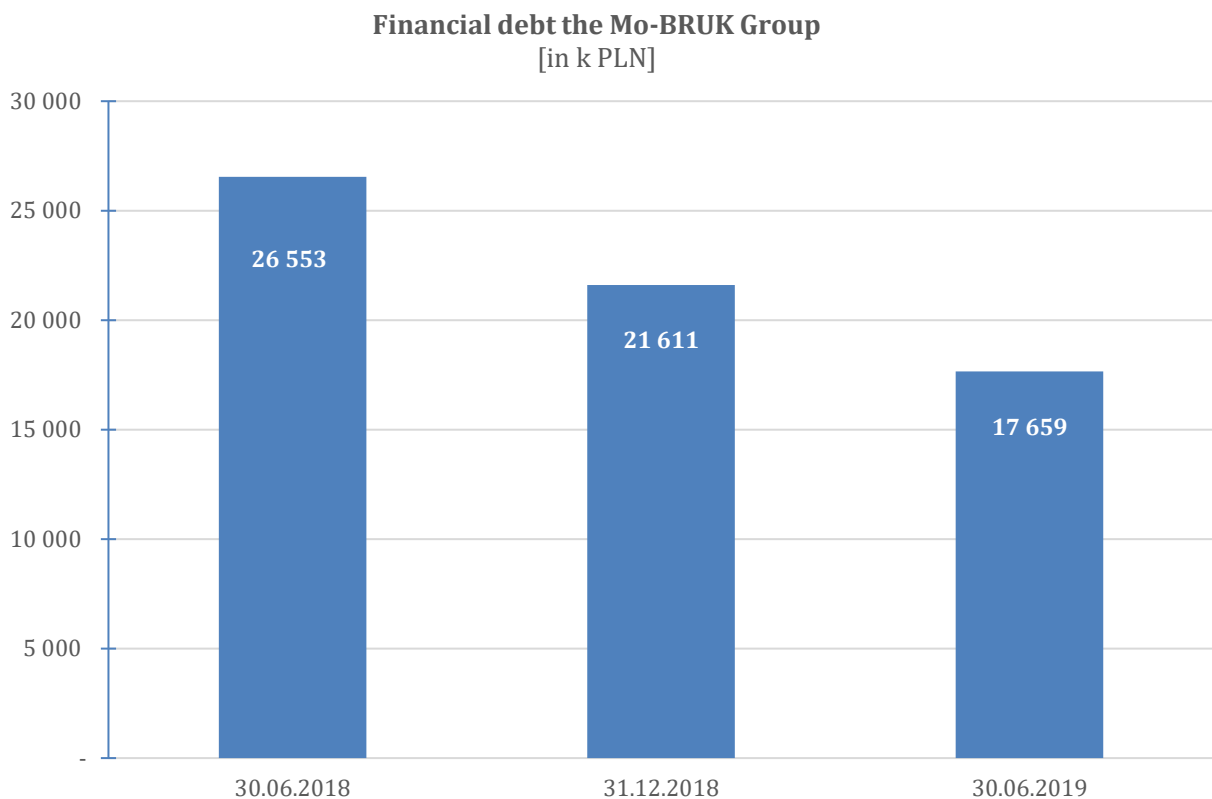
Specification (in PLN)	I half of 2019	I half of 2018	Change
Profit from sales	18 235 178	6 430 351	183,6%
EBITDA (Operating income + depreciation)	20 270 170	9 584 117	111,5%
EBIT (Operating income)	17 219 153	6 644 049	159,2%
Profit before income taxes	16 838 484	6 013 479	180,0%
Net profit	13 587 417	4 875 129	178,7%

In the period of the first half of 2019, the Mo-BRUK S.A. Capital Group recognised the growth in comparison with the same period in 2018, in the scope of the profit on operating activities, the EBITDA, the profit before tax, and the net profit which was generated at the level almost triple as high as the profit generated in the first half of 2018 - equal to PLN 4.9 million in comparison to PLN 13.6 million for the first half of 2019.

The Mo-BRUK S.A. Capital Group repays the instalments of the financial debt in accordance with the schedule and therefore it significantly reduced its liabilities arising from financial agreements. Within twelve months before the date of presentation of the financial data of this statements, that is in the period from 1 July 2018 to 30 June 2019, the financial debt of the Group dropped by 33%.

Financial debt of the Mo-BRUK Group [in PLN]			
	30.06.2018	31.12.2018	30.06.2019
Financial debt¹⁾	26 552,5	21 611,3	17 659,0
<i>of which:</i>			
<i>Borrowings</i>	<i>26 344,1</i>	<i>21 503,1</i>	<i>17 650,8</i>
<i>Finance lease</i>	<i>208,4</i>	<i>108,2</i>	<i>8,2</i>

¹⁾ financial debt in the table above does not include the perpetual use rights obligation



The regular repayment of the financial liabilities caused that the Capital Group improved its debt ratios, among them - the ratio of net financial debt to EBITDA was significantly improved. At the end of the first half of 2019, the Group achieved a higher cash rate than financial debt, so the value of the following indicator was presented with a negative sign.

Ratio of net financial debt to EBITDA of the Mo-BRUK Group		
30.06.2018 ¹⁾	31.12.2018	30.06.2019 ²⁾³⁾
1,1	0,2	-0, 2

Ratio calculation algorithm:

financial debt³⁾ - cash / operating profit for the last 12 mth + depreciation for the last 12 mth

¹⁾for the ratio on 30.06.2018 EBITDA is calculated for the period from 01.07.2017 to 30.06.2018

²⁾ for the indicator on 30.06.2019 EBITDA is calculated for the period from 01.07.2018 to 30.06.2019

³⁾ financial debt included in the calculation of the benchmark does not include the perpetual use rights obligation

In the period of the first half of 2019, the Issuer continued the activities related to ensuring the relevant volume of supplies of waste to new installations. In that period, each plant of the Capital Group recorded better sales results in comparison with the results achieved in the preceding periods. The increase in the involvement in the sector of non-organic waste management (processed in Skarbimierz and Niecew) has contributed to the significant increase in the profitability of the Issuer's business activity. Given the fact that the waste management market in Poland is in the phase of intensive development and is very prospective, the Management Board of Mo-BRUK S.A. assumes significant growths in revenues in the next periods. The Management Board makes every effort to ensure a relevant supply of waste for processing in the installations of the Mo-BRUK S.A. Capital Group. Business activities aimed at winning new clients are also undertaken continuously in foreign markets, which should translate into better financial results of the Issuer's Group.

The Mo-BRUK S.A. Capital Group with its leading segment being the waste management, defines therein three business lines connected with processing and neutralisation of waste.

Solidification / stabilisation of non-organic waste

The Issuer holds competence and experience in the scope of neutralising non-organic waste and producing the cement granules from such waste. Mo-BRUK S.A. has been processing a number of waste types since 1996 based on its own unique technology. Hazardous waste which is accepted by the Issuer is subject to cementation process at further stage of its processing. The entities giving their waste for treatment are charged a fee by the Issuer for the waste accepted for cementation. As a result of the reactions occurring during the aforementioned process, hazardous substances present in such waste are neutralised. The final result of the process are cement granules which constitute the substitute of the aggregate that the Issuer sells to final clients. The types of non-organic, hazardous and non-hazardous waste accepted for solidification and stabilisation process include but are not limited to the following: slag and ash from waste incineration plants, sludge from chemical sewage treatment plants, electroplating waste, other waste including heavy metals.

The developed waste cementation technology is the basis for the operation of two Issuer's plants, that are the Waste Processing Plant in Niecew and the Non-Organic Waste Recovery Plant in Skarbimierz.

Production of alternative fuels

Mo-BRUK S.A. acquired the competence in the scope of alternative fuel production as one of the first enterprises in the country. In 2004, the Issuer started its first alternative fuel production plant in Wałbrzych. In 2008, the Issuer started the second such plant in Karsy near Ożarów (at the Cement Plant in Ożarów). As a result of further investments funded with the participation of the means from the European Union, the Alternative Fuel Production Plant in Karsy was expanded with the second production line. The Group also classifies this business line as the separation of ferrous and non-ferrous metals as well as the storage of non-hazardous industrial waste.

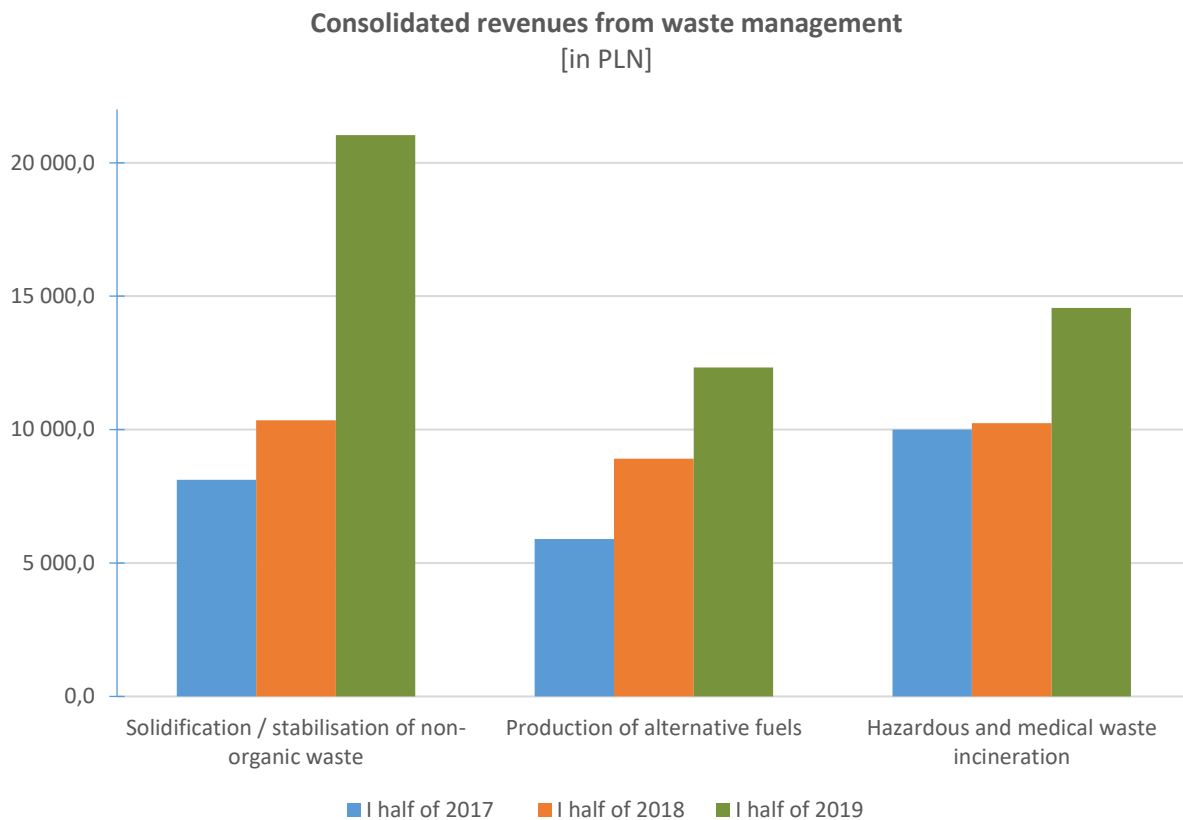
The alternative fuel offered by Mo-BRUK S.A. is produced from the selected combustible municipal waste which is supplied by waste collection enterprises. Furthermore, the production of alternative fuel also uses combustible industrial waste supplied directly by industrial plants, e.g. automotive, furniture plants, and by waste collection companies. The accepted waste is then mechanically processed, which results in the production of alternative fuel.

Hazardous and medical waste incineration

In 2008, Mo-BRUK J. Mokrzycki spółka komandytowa (the legal predecessor of the Issuer) bought the industrial and medical waste incineration plant of Raf-Ekologia Sp. z o. o. The incineration plant of Raf-Ekologia Sp. z o. o. runs business activity in the scope of thermal neutralisation of industrial, medical and veterinary waste in a manner safe to the environment. As a result of incineration of specific groups of waste, Raf-Ekologia Sp. z o.o. produces energy in the form of process steam which is sold to Rafineria Nafty Jedlicze S.A. In 2014, the Issuer started the second industrial waste incineration plant located at the Alternative Fuel Production Plant in Karsy. The investment was completed within the project entitled "Implementation of innovative technology for production of heating blend with high calorific value" that was financed with the means from the European Union obtained by the Issuer. The established incineration plant is the source of warm air used to initially dry the alternative fuel. The types of waste undergoing the processes of neutralisation or recovery in the incineration plants include but are not limited to the following: paints, glues, solvents, post-refining waste, kerosene and gas exploration waste, medical and veterinary waste, agrochemicals, laboratory and analytical reagents.

Revenues from waste management

Consolidated revenues [in PLN]	I half of 2017	I half of 2018	I half of 2019
Solidification / stabilisation of non-organic waste	8 116,9	10 351,8	21 037,3
Production of alternative fuels	5 904,2	8 911,0	12 334,9
Hazardous and medical waste incineration	10 006,9	10 245,1	14 567,8
Total:	24 028,0	29 507,9	47 940,0



The waste management in the Mo-BRUK Capital Group is the most dynamically developing segment which is the source of more than 90% of consolidated revenues of the Issuer, and the segment in which the Issuer implemented - in the recent years - several investment projects which received financing from the European Union Funds.

The main source of the Issuer's income are fees for acceptance of waste for its further treatment or other processing. In that scope, Mo-BRUK S.A. has the function of an important element in the waste management chain in Poland as it is an alternative to waste dumping grounds. The companies collecting municipal waste or the holders of waste are interested in the cooperation with the Mo-BRUK Capital group as it makes it possible for them to limit the storage of waste in waste dumping grounds. On the other hand, the Issuer is interested in collection of waste for its further management and processing as the Issuer has technology and experience in the scope of processing of waste into full-value products (alternative fuel, cement granules, and energy). The Issuer has the competence and permit for the treatment of almost the whole range of waste listed in the Regulation of the Minister of the Environment dated 9 December 2014 on waste catalogue (Journal of Laws of 2014, item 1923). The regulations prevailing in Poland provide that the treatment of waste is paid for by its generator and not the "cleaning company" or "treatment company" such as the Issuer. Therefore, Mo-BRUK S.A. is able to collect fees for the acceptance of waste at the level similar to or higher than the fees collected by waste dumping grounds. The amount of the remuneration paid to the Issuer depends on the category of waste, its physical and chemical category, location, and finally the negotiated terms and conditions.

4. Significant events in the Group in the reporting period.

Conclusion of a significant agreement with the Municipal Purification Company in m. st. Warsaw sp. z o.o.

On January 3, 2019, the Issuer signed four agreements with the Municipal Purification Company in m. st. Warsaw sp. z o.o. with its registered office at ul. Camp 43 on "Collection, including transport and management of waste resulting from the treatment of bulky waste" in an estimated total of 15 000 tonnes.

The issuer's maximum remuneration for the performance of the contracts in question may amount to PLN 6,107,400.00 gross. The actual remuneration for the performance of the subject-matter of the contracts shall be determined as the product of the unit price and the actual quantity of waste collected.

The contracts were concluded as a result of a tender procedure under the Act of 29 January 2004 public procurement law and were signed for a limited period until 31 December 2019.

Conclusion of a significant agreement with Synthos Dwory 7 limited liability company public company with its registered office in Oświęcim.

On 13.02.2019 The Issuer has signed Annex 1 to the agreement with Synthos Dwory 7 a public company with its registered office in Oświęcim extending the subject matter of the contract for the reception, transport and management of waste debris containing mercury from the demolition of the site of the former electrolysis D-2028 code 170106* in an estimated amount of 20 thousand tonnes.

The total estimated remuneration of the Issuer for the service covered by the annex to the contract is PLN 9,600,000 net. The actual remuneration for the implementation of the subject matter of the annex will be the product of the unit price specified in the annex and the quantity of waste actually received.

According to the annex, the contract was extended until 31 December 2019.

Completion of landfilling at the Industrial Waste Landfill in Wałbrzych

Due to the complete filling of the last headquarters of the Industrial Waste Landfill located in Wałbrzych at ul. On March 20, 2019, the Management Board of Mo-BRUK S.A. announced that the landfilling of waste in the landfill in question had finally been completed. Accordingly, the Issuer sent an application to the Marshal's Office on 20 March 2019 for permission to close the last accommodation of the landfill.

The share of the site's activities in the results of the Capital Group has been negligible in recent times. Given that the reclamation of the landfill will be carried out using inert waste, its costs the Management Board considers it insignificant for the results of future periods. The closure of waste storage activities is the implementation of the Group's strategy of developing key waste management activities such as waste treatment in stabilisation processes, waste incineration

and the production of alternative fuels.

After the performance of the obligations resulting from the decision to close the landfill, the Issuer will remove from the National Court Register of the Industrial Waste Landfill operating as a separate branch. Continue at ul. The Waste Recycling Plant producing alternative fuels will be operating in Wałbrzych.

Conclusion of a significant agreement with Krakow Municipal Holding S.A.

On April 11, 2019, the Issuer received a mutually signed agreement with Kraków Municipal Holding S.A. to provide a service consisting in the successive reception (transport and management) of waste generated by the thermal disposal process municipal waste at the Thermal Waste Conversion Plant in Krakow.

The issuer's maximum remuneration for the performance of the contract in question may amount to PLN 4,269,580.00 net. The issuer's actual remuneration for the performance of the subject matter of the contract will be determined as the product of the unit price and the amount of waste actually received.

The contract was concluded as a result of a tender procedure under the Act of 29 January 2004 Public Procurement Law and was signed for a limited period of 12 months.

5. Events after the balance sheet date.

Conclusion of a significant agreement with the Municipality of Kielce.

On July 15, 2019, the Issuer signed an agreement with the Municipality of Kielce to provide a service consisting in the removal, transport and management of hazardous and non-hazardous waste collected at ul. Krakowska 293 in Kielce in the amount of 1000 tons. The waste covered by this agreement comes from the storage of illegally collected waste of so-called waste. "ecological bomb".

The Issuer's remuneration for the performance of the contract in question will amount to approximately PLN 4,600,000.00 net. The issuer's actual remuneration for the performance of the subject matter of the contract will be determined as the product of the unit price and the amount of waste actually received.

The contract was concluded as a result of a tender procedure under the Act of 29 January 2004 Public Procurement Law and was signed for a limited period of 30 weeks from the transfer of the site of the work. The contract is carried out in the framework of the replacement performance, carried out under the provisions of the Law on enforcement proceedings in the administration (i.e. OZ of 2018, item. 1314 as amended).

Purchase of own shares

On July 19, 2019, ownership was transferred and the purchase of own shares was transferred

as part of the "Invitations to tender for the sale of shares of Mo-BRUK S.A." on the basis of Resolution No. 20/2019 of the Ordinary General Meeting of Shareholders of Mo-BRUK S.A. The transfer of ownership of shares between the Shareholders and the Issuer was made outside the regulated market through the Brokerage House BOŚ S.A. The transfer of shares to the bearer to the Issuer was settled in under the deposit system of the National Securities Depository S.A., and ownership of the named shares on the Issuer was settled by The Brokerage House BOŚ S.A.

On July 19, 2019, through BOŚ S.A., the Issuer acquired 60,000 own shares with a nominal value of PLN 10 each, PLN 125 per share. The shares that have been acquired represent 1.66% of the Issuer's capital and entitle to 72,090 votes at the Issuer's general meeting. The issuer shall not be entitled to exercise the voting rights of these shares.

6. Position of the Management Board regarding the possibility of achieving previously published forecasts for a given year in the light of the results presented in the semi-annual report in relation to the forecasted results.

The Mo-BRUK S.A. Group has not published any forecasts for the first half of 2019.

7. Information on shareholders holding, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the issuer's general meeting of shareholders as at the date of publication of the semi-annual report.

The table below presents the ownership structure of the Company's share capital, to the Issuer's knowledge, as at the date of submitting the half-yearly report for the period of 6 months ended 30 June 2019.

Shareholders	No of shares	Type of shares	Share in equity	No of votes at AGM
VALUE FIZ	1.515.409 ¹⁾	42,41%	1.515.409	35,95%
Józef Mokrzycki	704.479 ²⁾	19,72%	1.407.121	33,38%
Elżbieta Mokrzycka	370.833	10,38%	370.833	8,80%
Wiktor Mokrzycki	285.701	8,00%	285.701	6,78%
Tobiasz Mokrzycki	285.701	8,00%	285.701	6,78%
Anna Mokrzycka-Nowak	285.701	8,00%	285.701	6,78%
Others	125.061 ³⁾	3,50%	65.061	1,54%
TOTAL:	3.572.885	100,00%	4.215.527	100,00%

¹⁾ on the basis of the information held by the Issuer.

²⁾ Series A shares of 702 642 are privileged on voting rights, 2 votes per share.

³⁾ including shares without voting rights in the number of 60,000 acquired by the Issuer as part of the purchase of own shares

The table below shows the structure of ownership of the Group's share capital in accordance with the Issuer's knowledge, as of June 30, 2019, i.e. the share capital of the Group. before the national court register is registered.

Shareholders	No of shares	Type of shares	Share in equity	No of votes at AGM
VALUE FIZ	1.537.120 ¹⁾	42,56%	1.537.120	35,85%
Józef Mokrzycki	716.569 ²⁾	19,84%	1.431.301	33,38%
Elżbieta Mokrzycka	377.220	10,45%	377.220	8,80%
Wiktor Mokrzycki	290.624	8,05%	290.624	6,78%
Tobiasz Mokrzycki	290.624	8,05%	290.624	6,78%
Anna Mokrzycka-Nowak	290.624	8,05%	290.624	6,78%
Others	108.604 ³⁾	3,01%	70.104	1,64%
TOTAL:	3.611.385	100%	4.287.617	100%

¹⁾ own calculations, on the basis of the information held by the Issuer.

²⁾ Series A shares of 714 732 are privileged on voting rights, 2 votes per share.

³⁾ including shares without voting rights in the number of 38,500 acquired by the Issuer as part of the purchase of own shares

8. Statement of the ownership of the issuer's shares or rights thereto by the persons managing and supervising the issuer as at the date of submission of the quarterly report, together with an indication of changes in the ownership, in the period from submission of the previous quarterly report, separately for each of the persons.

The following table shows the number of shares of Mo-BRUK S.A. held by the members of the management bodies, in accordance with the Issuer's knowledge based on the information provided by the obliged persons.

Shareholder	Function	No of shares held as of the date of the report submission for the 1st quarter 2019	No of shares held as of the date: 30.06.2019.	Change in possession	No of shares held as of the date of the report submission for the 1 half of 2019
Józef Mokrzycki	President of the Management Board	716 569	716 569	12 090 decreased	704 479
Elżbieta Mokrzycka	Deputy President of the Management Board	377 220	377 220	6 387 decreased	370 833
Wiktor Mokrzycki	Deputy President of the Management Board	290 624	290 624	4 923 decreased	285 701
Tobiasz Mokrzycki	Deputy President of the Management Board	290 624	290 624	4 923 decreased	285 701
Anna Mokrzycka - Nowak	Deputy President of the Management Board	290 624	290 624	4 923 decreased	285 701

In July 2019, the Issuer received notifications, drawn up pursuant to Art. Whereas Article 19 (1) of Regulation (EEC) No 2 1 of the MAR Regulation, about transactions made on shares of Mo-BRUK S.A.: the disposal of 12,090 shares of the Company by Mr. Józef Mokrzycki acting as Chairman of the Management Board of the Issuer, the disposal of 6,387 shares of the Company by Mrs. Elżbieta Mokrzycka performing the function of Vice-President of the Management Board of the Issuer, disposal of 4,923 shares of the Company by Ms. Anna Mokrzycka-Nowak acting as Vice-President of the Management Board of the Issuer, disposal of 4,923 shares of the Company by Mr. Viktor Mokrzycki acting as Vice-President of the Management Board of the Issuer and disposal 4,923 shares of the Company by Mr. Tobias Mokrzycki acting as Vice-President of the Management Board of the Issuer.

9. Information on significant proceedings pending before the court, competent arbitration authority or public administration authority concerning liabilities and receivables of the issuer or its subsidiary.

Neither in the case of the Issuer nor its subsidiary any significant proceedings are pending before the court, competent arbitration authority or public administration authority.

10. Information on consequences of changes in the structure of the business entity, including as a result of a business combination, acquisition or sale of entities within the issuer's capital group, long-term investments, split, restructuring and discontinuing of the activities.

In the first half of 2019, there were no changes in the structure of the business entity.

11. Information on conclusion by the issuer or its subsidiary of one or more transactions with affiliated entities, if individually or jointly they are significant and if they were concluded pursuant to non-arm's length conditions.

Neither the Issuer nor its subsidiary entered into any transactions pursuant to non-arm's length conditions.

12. Information on the dividend paid or declared.

Dividend policy

On April 15, 2019, pursuant to §14 para. 1 of the Company's Articles of Association, the Management Board of the Company adopted resolution No. 67/2019 on the adoption of the Dividend Policy.

The dividend policy assumes that the Board recommends that the General Meeting of Shareholders allocate no less than 33% of Mo-BRUK S.A.'s net profit to the dividend, provided that the assumed net debt-to-EBITDA level is maintained at the end of the financial year, which will be affected by the distribution of profits.

In the recommendation of the profit sharing made in Mo-BRUK S.A., the Management Board of the Company will take into account the investment plans including acquisition, financial and liquidity situation of the Group, existing and future liabilities (including potential restrictions related to the credit agreements and the issuance of debt instruments) and an assessment of the prospects of the Mo-BRUK S.A. Capital Group in certain market and macroeconomic conditions.

The Company's net debt-to-EBITDA ratio at the end of the financial year, which will be affected by the distribution of profit, may not exceed 3.0.

The Dividend Policy has been established indefinitely and will be subject to periodic verification.

Profit allocation for the financial year 2018 – dividend payment

By Resolution No. 7/2019 of the Ordinary General Meeting of Shareholders of 24 June 2019, the net profit of Mo-BRUK S.A. for the financial year 2018 of PLN 19,365,932.11 was allocated as follows:

1. PLN 9,683,413.76 for the Company's retained earnings,
2. PLN 9,682,518.35 for the payment of dividends to the Company's shareholders.

The Ordinary General Meeting of Shareholders of Mo-BRUK S.A. has set the dividend date (day D) as of July 3, 2019 and the deadline for payment of the dividend (Day W) as at July 10, 2019. The dividend payment was not covered by the own shares acquired by the Company for redemption of 38,500 units.

The dividend per share was PLN 2.71.

Payment of dividends for 2018 from a related entity.

On 9 May 2019, the Ordinary General Meeting of the Shareholders of the subsidiary Raf-Ekologia Sp. z o.o. adopted a resolution to allocate in full the profit for the financial year from 1 January 2018 to 31 December 2018, amounting to PLN 1,153,664.96 to sole partner, the parent company of Mo-BRUK S.A.

The dividend was paid on May 31, 2019.

The payment of the dividend affects the Issuer's unit result, but has no effect on the consolidated result.

13. Information on the issuer or its subsidiary granting credit or loan sureties or guarantees - jointly to a single entity or its subsidiary, if the total value of the existing sureties or guarantees is significant.

In the first half of 2019, Mo-BRUK S.A. or its subsidiaries did not grant any credit or loan sureties or guarantees, the total value of which is significant.

14. Other information which, in the opinion of the issuer, is significant for the assessment of its personnel, property, financial situation, financial result and their changes, as well as information which is significant for the assessment of the issuer's ability to meet its liabilities.

Important information for the assessment of the personnel, property, financial situation and financial result is presented in section 3 of this management board's report.

15. Information on factors which, in the issuer's opinion, will affect its results in the perspective of at least the next quarter.

Factors which, in the issuer's opinion, will affect its results in the perspective of at least the next quarter are specified in section 3 of this management board's report.

16. Description of significant risk factors and threats, including the extent to which the issuer is exposed to them.

The risk factors described below are not exhaustive and should not be considered as such. They are the most important elements from the point of view of the Issuer's Group. It is important to be aware that due to the complexity and variability of the business environment, other factors not included in this report may also affect the Group's operations. The following sequence of the described risk factors is not connected with the assessment of the probability of occurrence of negative events for the Issuer's Group, or with the assessment of their significance.

➤ **Risk related to the macroeconomic environment**

Revenues of the Issuer's Group are generated mainly from activities on the domestic market and therefore they depend indirectly on factors connected with the general macroeconomic situation of Poland. These factors include: unemployment rate, economic growth rate, inflation rate, budget deficit level. Possible perturbations on international financial markets could affect the economic situation in Poland. The effect of perturbations could be, among others, a decrease in the pace of domestic economic growth, an increase in the unemployment rate and a depreciation of the Polish zloty against foreign currencies. The macroeconomic trends described above may affect the financial situation of the Issuer's Group. Any future adverse changes in one or more of the above factors, in particular the deterioration of the condition of the Polish economy, a possible currency crisis, a public finance crisis, or political instability may have a negative impact on the results and financial situation of the Issuer's Group.

➤ **Risk related to changes in legal regulations**

Legal regulations in Poland are constantly changing. As a result, it is necessary to bear the costs of monitoring legislative changes and the costs of adapting to the changing regulations. Moreover, in case of unclear wording of the regulations or lack of cohesion between the

regulations of the national law and the regulations of the European Union, there is a risk of discrepancies in their interpretation between the Issuer's Group and other entities, such as contractors or administrative bodies. In the case of the Issuer's Group, the risk connected with the legal regulations is especially important, because apart from general regulations, to which all entities conducting business activity are subject (e.g. Commercial Companies Code, Accounting Act, Corporate Income Tax Act, etc.), it is also subject to appropriate regulations in the scope of waste management - not only on the national level, but also to the regulations of the European Union. Any significant changes in the regulations in this respect may have a direct significant impact on the basic activity of the Issuer's Group, leading even to a significant deterioration of the conditions of conducting business activity and, consequently, a deterioration of financial results.

➤ **Risk related to the economic situation in the industry in which the Issuer's Capital Group operates**

The main industries in which the Issuer's Group operates, i.e. the waste management and alternative fuels sectors, are characterised by high development dynamics and great possibilities of expanding the activity of entities operating in them. Nevertheless, such factors as macroeconomic conditions, legal regulations or the level of public awareness (including at the level of business entities) of environmental protection have a significant impact on the economic situation of the above-mentioned sectors. Therefore, possible deterioration of the general economic situation of the country, limitation of public expenditures on environmental protection, changes in the law increasing the amount of necessary expenditures incurred for these purposes by the non-public sector or other significant changes in the legislation on environmental protection may have a significant negative impact on the activity of entities operating in these sectors - including the Issuer's Group. The consequence of the downturn in the waste management sector would be a significant deterioration of the financial results of the Issuer's Group.

➤ **Risk related to potential changes in the law and their ambiguous interpretation**

Relatively frequent changes in the law, in particular in relation to tax obligations, and their ambiguous interpretation significantly hinder long-term planning of investment projects of the Issuer's Group, which in consequence may negatively affect the results of operations and financial results of the Issuer's Group. Frequent changes in tax regulations as well as the threat of high penalties and sanctions imposed by tax authorities may have a negative impact on the activity of the Issuer's Group. An additional significant threat is the fact that tax authorities rely on tax law interpretations made by higher instance authorities and courts. These interpretations are very often contradictory and subject to frequent changes, which entails a high risk of unpredictability as to the conduct of tax authorities and the instability of the tax law in Poland.

➤ **Risk related to competition**

The sector in which the Issuer's Group runs its activity is characterised by extremely dynamic development. It results primarily from changes in legal regulations in this area (both in Polish and European legislation), which force the disposal of harmful waste, materials and substances. An additional pro-development aspect is the development of the society's environmental awareness - as a result, there is an increase in demand for services related to waste management. Dynamic development of this market will directly contribute to its attractiveness and will influence the interest in entering new entities - not only domestic, but also foreign. This risk is assessed by the Issuer's Group as very important, because as a consequence, the materialisation of this risk may lead to an increase in competitiveness in the industry and a significant decrease in the profitability of the activity of the Issuer's Group.

➤ **Interest rate risk**

The Issuer's Group has investment credits with a variable interest rate. There is a risk of adverse changes in interest rates in the Polish economy, which may result in an increase in the cost of loan service, which, in turn, will reduce the result on the financial activity of the Issuer's Group.

➤ **Foreign exchange risk**

The basic activity of the Issuer's Group does not generate currency risk. The Issuer's Group has debt expressed exclusively in Polish currency. The Issuer's Group has signed cooperation agreements with foreign entities on waste management, in which remuneration is expressed in euro. Considering the significant diversification of waste suppliers, the Issuer's Management Board assesses the exchange rate risk as insignificant.

➤ **Risk associated with the requirement to hold valid permits**

The operations of the Issuer's Group are strictly governed by the relevant regulations and require appropriate permits. The operation of individual waste recovery plants, waste dumps and alternative fuel production plants requires permits of the Marshals of individual voivodeships and the Starostes of individual districts, corresponding to the locations of the Issuer's Group facilities. As at the date of these financial statements, the Capital Group holds all the essential permits necessary for its day-to-day operations. Failure to hold appropriate and valid permits would be tantamount to the necessity to discontinue operations and the risk of imposing administrative penalties on the companies of the Issuer's Group. The Issuer's Group considers this risk as very significant. If any significant permit is withdrawn, the core business of the Issuer's Group would be endangered, which could lead to the loss of income from this source.

➤ **Risk related to social dissatisfaction with the activity of the Issuer's Group**

The Issuer's Group's activity in the field of waste management is not easily acceptable among local communities and ecological organisations and causes social discontent among the population living nearby from the plants of the Issuer's Group. Complaints from residents relate to noise levels, increased truck traffic and concerns about environmental risks, air, land and groundwater pollution. Despite the fact that the Issuer's Group holds permits, approvals, patents and certificates connected with the conducted activity and makes every effort to ensure that the activity of the plants does not hinder the life of residents of the surrounding areas, the Issuer cannot exclude the negative influence of these complaints on the image of the Issuer's Group. The Mo-BRUK S.A. Capital Group takes the objections of local communities seriously and therefore tries to conduct a clear policy of informing the public about the consequences of its activities. However, usually in four-year periods, particularly during elections, public reactions are fuelled.

➤ **Risk related to transactions within the Issuer's Capital Group**

The tax regulations require the Issuer (Mo-BRUK S.A.) and its Subsidiary (Raf-Ekologia Sp. z o.o.) to apply transaction prices in intra-group transactions at the market level. The prices applied in intra-group transactions may be questioned by tax administration authorities when prices are different from market prices. The Issuer and its subsidiary do not have any agreements with the competent tax administration authority on setting transaction prices, within the meaning of Article 20a et seq. of the Tax Ordinance Act of 29 August 1997. Such an agreement could significantly reduce this risk. In order to limit the above risk, the Issuer and the Subsidiary, in their contractual relations with each other, maintain particular care in order to set the transaction prices at the level corresponding to market prices.

➤ **Risk related to the loss of major suppliers**

Ensuring the continuity of supplies of waste for disposal and then for the production of alternative fuel is a very important element of the Issuer's Group's activity. Possible termination of the agreement by the entities supplying waste (most often these are enterprises dealing with municipal waste collection) would be a very unfavourable event and could cause difficulties in the proper functioning of the Issuer's Group and lead to a significant deterioration of its financial results. Due to the fact that a large number of such entities operate on the market, the Issuer's Group is able to acquire new contractors in the short or medium term.

➤ **Risk related to the loss of key customers**

The Issuer's main customers are cement plants which purchase alternative fuel produced from waste by the Issuer. Problems with maintaining the timeliness of deliveries or the quality of the product sold may result in termination of the agreement by contractors. The Issuer perceives the risk as significant. Due to the fact that they are customers of significant importance to the Issuer, termination of any of the agreements could have a negative impact on the results achieved by the Issuer's Group.

➤ Risk related to non-performance of disclosure obligations of a public company

Public companies listed on a regulated market of the Warsaw Stock Exchange are obliged to perform their disclosure obligations, including providing the Polish Financial Supervision Authority, the company operating the regulated market, with current and periodical information, in accordance with the provisions of the Act on Offering in force in this respect and the executive regulations issued on the basis of the Act. In the event of non-performance or improper performance of the above obligations by a public company, the Supervision Authority may issue a decision on exclusion of securities from trading on the regulated market for a definite or an indefinite period, or impose - taking into account in particular the financial situation of the entity on which the penalty is imposed - a fine of up to PLN 1,000,000.00 or apply both sanctions jointly (Article 96(1)(1) of the Act on Public Offering). Moreover, pursuant to Article 98(7) of the Act on Offering, the Issuer and the entity which participated in the preparation of the information referred to in Article 56(1) of the Act on Offering are obliged to repair the damage caused by making available to the public untrue information or silencing the information, unless neither the Issuer nor the persons for whom it is responsible are at fault. Due to the fact that the Issuer has been a company whose shares have been listed in the alternative trading system New Connect since 2010 and on the regulated market of the WSE since 2012, where it has been conducting regular information policy with respect to both periodical and current events affecting its operations, the Issuer is less exposed to the risk of failure to fulfil obligations of a public company. The Issuer will use its best endeavours to comply with its disclosure obligations. However, it cannot exclude that due to unfavourable coincidence, disclosure obligations may be improperly performed and, consequently, the Issuer may be subject to sanctions under the Act on Offering, which may have an impact on the Issuer's financial results or cause disturbance of trading in its shares.

The Issuer points out that the Company, while fulfilling the disclosure obligations of a public company, was not subject to any sanctions in the past in connection with improper fulfilment of the disclosure obligations.

17. Major events having a significant impact on the operations and financial results of the Mo-BRUK S.A. Capital Group in the financial year or whose impact is possible in the following years.

In the Issuer's opinion, in the period covered by this report, there were no significant events that could have a material impact on the Capital Group's operations in the years to come.

18. Statement of the Management Board of Mo-BRUK S.A.

In accordance with the requirements of the Regulation of the Minister of Finance of 29 March 2018 on Current and Periodical Information Provided by Issuers of Securities and on Conditions for the Recognition of Information Required in Accordance with the Law of non-Member States as Equivalent, the Management Board of Mo-BRUK S.A. states that:

- to the best of its knowledge, the interim condensed consolidated financial statements and the comparative data have been prepared in accordance with the applicable accounting principles and they give a true, fair and clear view of the assets and financial standing of the Mo-BRUK S.A. Capital Group and its financial result,
- to the best of its knowledge, the interim condensed separate financial statements and the comparative data have been prepared in accordance with the applicable accounting principles and they give a true, fair and clear view of the assets and financial standing of Mo-BRUK S.A. and its financial result,
- the semi-annual consolidated report of the management board contains a true picture of the development, achievements and standing of the Mo-BRUK S.A. Capital Group, including the description of risks and threats.

19. Statement of the Management Board on the selection of a statutory auditor.

The Management Board of Mo-BRUK S.A. declares that **Mazars Audyt Spółka z ograniczoną odpowiedzialnością**, with its registered office in Warsaw (postal code 00-549), ul. Piękna 18, entered in the list of the Polish Chamber of Statutory Auditors under number 186 (selected to audit the annual/interim financial statements for all companies of the Capital Group for 2019 and the consolidated financial statements for 2019) - the entity authorised to audit the annual consolidated financial statements and audit the annual financial statements of the parent company was selected in accordance with the law and that this entity and the statutory auditors conducting the audit met the conditions to prepare an impartial and independent report on the audit of the annual consolidated and annual financial statements, in accordance with the applicable laws and professional standards.

Management Board:

Józef Mokrzycki – President

Elżbieta Mokrzycka – Deputy President (Administration)

Anna Mokrzycka - Nowak – Deputy President (R&D)

Wiktor Mokrzycki – Deputy President (Sales&Marketing)

Tobiasz Mokrzycki – Deputy President (Construction)

Mo-BRUK S.A.

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The company was registered by the District Court for Kraków Śródmieście,
XII Commercial Division of the National Court Register under KRS number: 0000357598.

The share capital of the company is PLN 36.113.850,00 and is paid in full.