

# MOBRUK

**MANAGEMENT REPORT ON ACTIVITIES OF  
MO-BRUK S.A. CAPITAL GROUP FOR 2019 YEAR**

Niecew, 18 March 2020

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## Letter from the Chairman of the Board of Mo-BRUK S.A. to Shareholders

Dear Shareholders,

Dear Investors,

On behalf of the Management Board of Mo-BRUK S.A. I am giving to you an annual report summarising the main events and financial results of Mo-BRUK S.A. and the Mo-BRUK S.A. Capital Group in 2019.

The last financial year were the next in a row, in which we saw both an increase in sales revenues and an improvement in other financial indicators. This was the year in many respects the best in the history of the Mo-BRUK S.A. Capital Group.

Once again, we have proved that our know-how, experience and implementation of previously significant investments are a solid foundation for the stability of the business of GK Mo-BRUK S.A. The year 2019 was a very good period of achieving all our strategic objectives and in particular financial results.

The past year allowed the Group to generate almost twice as high, compared to 2018, operating profit of PLN 50.2 million. The high growth rate of consolidated sales revenues of 41% yoy, with constant cost control, generated a consolidated net profit of PLN 40.1 million.

We are gradually striving to increase the revenues achieved from the sale of products and services, which is the most dynamically developing segment, which is the waste management from which 88% of the Mo-BRUK Group 's consolidated revenues come from. Increasing engagement in the waste management segment, which distinguishes three business lines related to waste treatment and disposal, has contributed to a significant increase in the profitability of our business. These include the solidification and stabilisation of inorganic waste, the production of alternative fuels and the incineration of hazardous and medical waste. The improvement of the situation of the Mo-BRUK Group 's in terms of sales revenues was influenced by the acquisition of new contractors in the waste management market, who provided new streams of delivered waste to installations in the plants of the Mo-BRUK Group 's and prices for waste treatment services, which after reducing the gray area are competitive.

The waste management industry will continue for the next few years in a phase of intensive growth, notably through changes in the legal environment and the growing environmental awareness of society. The strong actions of law enforcement authorities, which have contributed to reducing the grey area in waste management, should be emphasised. The result is the targeting of increasing amounts of waste generated to legally operating installations for their treatment.

Given our capacity reserve, we are ready to increase the volume of waste processed, which will respond positively to market demand. These projections will be achievable if the state continues to act consistently to reduce the waste management area.

The Mo-BRUK Group has invested around PLN 200 million in the last decade by building waste processing lines and developing its own technologies. These actions now bring tangible benefits in the form of satisfactory financial results, which we present with satisfaction to you.

In April 2019, the Management Board of Mo-BRUK S.A. adopted a resolution on the adoption of the Dividend Policy which provides for recommending to the General Meeting of Shareholders to allocate no less than 33% of Mo-BRUK S.A. net profit to the dividend, provided that the net debt to EBITDA is maintained at a level not exceeding 3.0 at the end of the financial year, which will be affected by the distribution of profit. At the end of 2019, the net debt-to-EBITDA ratio of Mo-BRUK S.A. was -0.2. In the recommendation of the distribution of profit earned in Mo-BRUK S.A., the Management Board of the Company will take into account investment plans including acquisition, financial and liquidity situation of the Group, existing and future liabilities and evaluation of the prospects of Mo-BRUK Group in certain market and macroeconomic conditions.

Thanks to the adopted Policy in 2019, we shared the profit earned for 2018 with our shareholders. We paid out PLN 9.7 million, which corresponded to a dividend of PLN 2.71 per share. Also in the current year we decided to allocate from the reserve an amount of PLN 12.3 million or PLN 3.51 per share for the payment of a dividend, which will be paid to shareholders on March 19, 2020. The decision on the distribution of profit for 2019, taking into account the very good condition of the Group, the Board will take in the coming weeks.

I believe that by closing the year with record operational and financial results and making a number of progress towards the Group's key objectives, we have not let you down expectations. I firmly believe that 2020 will be another extremely successful period for the Mo-BRUK S.A. Group, both in terms of current results and strengthening the group's long-term value for the benefit of current and future shareholders while applying ethical and absolutely legitimate practices in waste management.

Finally, I would like to thank the Contractors for their cooperation, employees for their great commitment, perseverance and hard work, thanks to which both Mo-BRUK S.A. and the entire Capital Group could develop and pursue their goals. I would also like to thank shareholders on behalf of and throughout the Board for the trust we have been endowed with.

Sincerely

**Józef Mokrzycki**  
*President of the Board*

## 1. Activities of Mo-BRUK S.A. Capital Group in 2019.

Mo-BRUK S.A. forms a capital group, which includes Mo-BRUK S.A. – the parent company in the capital group and Raf-Ekologia sp. z o.o. – a subsidiary 100% from Mo-BRUK S.A.

LIST OF COMPANIES IN WHICH THE GROUP HOLDS AT LEAST 20% OF THE SHARES IN CAPITAL OR GENERAL NUMBER OF VOTES IN THE BODY CONSTITUTING THE COMPANIES AS AT THE BALANCE SHEET DATE				
Lp	Name and registered office of the company	% of the shares in the Capital	% of votes in the authority constituting a company	Type of binding and method Consolidation
1.	"RAF-EKOLOGIA" Sp. z o.o. 38-460 Jedlicze Ul. Trzecieckiego 14	100	100	Full consolidation

Between January 1, 2019 and December 31, 2019, there was no change in the organization of the Capital Group.

### Parent company's core data

Name (company):	Mo-BRUK Joint Stock Company
Issuer's Registered Office:	Niecew
Legal form of the Issuer:	joint stock company
Legislation:	Polish and European Union law
Country of registered office of the Issuer:	Republic of Poland
Issuer's address:	Niecew 68, 33-322 Korzenna
Phone number:	+48 (18) 441 70 48
Fax number:	+48 (18) 441 70 99
E-mail:	mobruk@mobruk.pl
Website:	www.mobruk.pl
KRS number:	0000357598
Tax ID number:	734-32-94-252
REGON number:	120652729

### Subsidiary's core data

Name (company):	Raf-Ekologia Sp. z o. o.
Registered office:	Jedlicze
Legal form:	limited liability company
Legislation:	Polish and European Union law
Country of establishment:	Republic of Poland
Address:	ul. Trzecieckiego 14, 38-460 Jedlicze
Phone number:	+48 13 43 84 362

Fax number: +48 13 43 84 166  
E-mail: rafekologia@rafekologia.pl  
Website: www.rafekologia.pl  
KRS number: 0000069313  
Tax ID number: 6842198750  
REGON number: 370484149

**Mo-BRUK Spółka Akcyjna** with its registered office in Niecwi (Niecew 68, 33-322 Korzenna) is a capital company with legal personality, registered in the District Court in Krakow, Division XII Of Economics and entered in the KRS under the heading 0000357598.

The company was created for an indefinite period, operates under Polish law.

Since 1985, the company has been active in the form of a one-man business under the company "Mo-BRUK" Józef Mokrzycki. Until 1996, the production of lastriko products (tiles, window sills, stairs) and the main recipients of the products were individual customers. Since 1996, the company has been carrying out activities related to the widely understood waste management, including: storage, disposal and recycling. Due to the progressive development of the company on April 1, 2008, the legal form was transformed from the one-man business activity of Mo-BRUK Józef Mokrzycki into a limited partnership. On June 1, 2010, the Company's legal form was transformed into a joint stock company.

Mo-BRUK S.A. has eight branches and one subsidiary. At the headquarters of the Company in m. Niecew is located the Waste Recovery Plant and the Plant for the Construction of Concrete Pavements.

In Wałbrzych there are three branches of the company, the Waste Recycling Plant, where alternative fuels are produced, the Industrial Waste Landfill (since 20 March 2019, the landfilling of waste was completed) and the Coal Mule Recovery Plant.

Since 2008, the Department of Alternative Fuels Production has been operating from Karsy (gm. Ożarów), where industrial waste incineration plant was launched in 2014.

In 2014, two further branches of the Department of Recovery of Inorganic Waste in Skarbimierz and the Department of Recycling of Iron and Colour Metals in Zabrze were launched.

Mo-BRUK SA also has a branch in Łęka (gas station and diagnostic station).

Mo-BRUK owns a 100% stake in Raf-Ekologia Sp. z o. o.

The main activity of the subsidiary is the thermal disposal of industrial and medical waste.

**Raf-Ekologia Sp. z o.o.** was founded on 1 December 1999 in Krosno (Notarial Deed of 01.12.1999, Repertorium A No 9397/99). The share capital is PLN 686,000.00 (six hundred and eighty-six thousand) zlotys and is divided into 6860 shares with a nominal value of PLN 100.00 each. The Company operates thermal disposal of hazardous and non-hazardous waste, including medical and veterinary waste, from a wide list of generics, on the basis of an integrated permit No. WYD IV-6618-23/1/06 issued by the Podkarpackie Voivodeship.

## Share 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 purchase of own shares of 38,500 units with a nominal value of PLN 10 each and the Ordinary General Meeting of Shareholders issued no. 18/2019 of 24 June 2019 on the redemption of the Company's own shares was taken as a result of the purchase of own shares on 21 September 2018.

As of the day of the Report on the registered share capital of Mo-BRUK S.A. is PLN 35,728,850.00 and is divided into 3,572,885 shares with a nominal value of PLN 10.00 each.

The Company's shares are:

- 714,732 Series A named shares (1,429,464 votes) - Series A shares are privileged on voting rights – 2 votes per Series A shares,
- 1,249,092 series B named shares (1,249,092 votes) – Series B shares are not favoured,
- 1,609,061 Series C bearer shares (1,609,061 votes) – C series shares are not favoured.

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 share capital have been fully paid for. Since 2010, the Company's shares have been traded on the Alternative Trading Venue of NewConnect and from April 25, 2012 356,018 of ordinary bearer shares of the Issuer's C series, On the basis of resolutions of the Management Board of the Warsaw Stock Exchange No. 369/2012, 370/2012, 371/2012 of 12 April 2012, it was placed on a parallel market run by the Warsaw Stock Exchange. On March 30, 2017, 1,270,000 and subsequent issues were placed on the parallel market on the basis of the Resolution of the Board of Directors of the Warsaw Stock Exchange No: 301/2017 of 27 March 2017. The remaining series A and Series B registered shares of 1,963,824 with a nominal value shall be not dematerialised.

At the date of publication of this Report, the shareholding structure shall be as follows:

Shareholder	Number of shares	Type of action	Share of capital	Number of votes at the AZA	Participation in votes at the AZA	Participation in the total number of votes
Value FIZ	1,511,000 <sup>1)</sup>	bearer C Series	42,29%	1 511 000	35,84%	35,24%
Józef Mokrzycki	702,642 <sup>2)</sup>	named A Series	19,72%	1 407 121	33,38%	32,82%
	1.837	bearer C Series				
Elżbieta Mokrzycka	370.833	named B Series	10,38%	370 833	8,80%	8,65%
Wiktor Mokrzycki	285.701	named B Series	8,00%	285 701	6,78%	6,66%
Anna Mokrzycka - Nowak	285.701	named B Series	8,00%	285 701	6,78%	6,66%
Tobiasz Mokrzycki	285.701	named B Series	8,00%	285 701	6,78%	6,66%
Other	69,470 <sup>1)</sup>	bearer C Series	1,94%	69 470	1,65%	1,62%
Mo-BRUK	60,000 <sup>3)</sup>	Series A,B,C	1,68%	-	0,00%	1,68%
<b>Time:</b>	<b>3.572.885</b>	<b>-</b>	<b>100%</b>	<b>4 215 527</b>	<b>100%</b>	<b>100%</b>

Source: Issuer

<sup>1)</sup> own calculations, on the basis of the information held by the Issuer.

<sup>2)</sup> Series A shares are privileged on voting rights, for 1 share are 2 votes.

<sup>3)</sup> shares without voting rights acquired by the Issuer as part of the purchase of own shares

On July 19, 2019, through BH BOŚ S.A., the Issuer acquired a total of 60,000 own shares with a nominal value of PLN 10, at a price of PLN 125 per share. The shares acquired represent 1.66% of the Issuer's share capital and entitle to 72,090 votes at the general meeting of the Issuer, representing 1.68% of the total number of votes, provided that the Issuer is not entitled to exercise voting rights from its own shares.

**2. An overview of the core economic and financial figures disclosed in the annual accounts, in particular a description of the factors and events, including of an unusual nature, having a significant impact on the issuer's activities and the profits or losses incurred by it in the financial year, and discussing the prospects for the issuer's business development in at least in the following financial year.**

In describing in this section the financial and operational situation, the Issuer used alternative measurements of results providing useful information on financial situation, cash flow, financial efficiency and profitability, providing appropriate explanations so that Investors can understand their usefulness and reliability (ESMA guidelines "Alternative performance measurements" - 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) plus non-monetary costs (Depreciation).

Approximately EBITDA determines the ability of the company's assets to generate cash. The higher THE EBITDA, the higher the ability to generate cash,

2. Profitability of profit on sales - profit ratio of gross profit on sales to net sales revenues,
3. EBITDA profitability - a profit from operating activities plus depreciation to net sales revenue,
4. Operating profit ability (EBIT) - ratio of operating profit to net sales revenue,
5. Net profitability - net profit-to-profit ratio from sales,
6. Net financial debt-to-EBITDA ratio – a financial debt ratio less cash to operating profit plus depreciation.

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

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

Title	PLN		EUR	
	01.01.2019-31.12.2019	01.01.2018-31.12.2018	01.01.2019-31.12.2019	01.01.2018-31.12.2018
I. Net revenues from the sale of products, goods and materials	130 566 823	92 667 415	30 351 966	21 717 653
II. Profit (loss) from operating activities	50 192 112	26 567 316	11 667 813	6 226 350
III. Gross profit (loss)	49 626 222	25 339 266	11 536 264	5 938 542
IV. Net profit (loss)	40 088 249	20 519 597	9 319 038	4 808 999
V. Net cash flows from operating activities	40 336 654	27 535 244	9 376 783	6 453 195
VI. Net cash flows from investment activities	-980 306	-1 078 262	-227 885	-252 703
VII. Net cash flows from financial activities	-26 742 289	-14 335 711	-6 216 595	-3 359 735
VIII. Net cash flows, total	12 614 060	12 121 271	2 932 303	2 840 756
IX. Number of shares	3 595 141	3 611 385	3 595 141	3 611 385
X. Profit (loss) per ordinary share (in PLN / EUR)	11,15	5,68	2,59	1,33
Title	PLN		EUR	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
XI. Total assets	189 791 289	170 999 387	44 567 639	39 767 299
XII. Commitments and liabilities	57 606 725	61 681 854	13 527 468	14 344 617
XIII. Long-term liabilities	34 584 421	42 857 858	8 121 268	9 966 944
<i>including Revenues of future periods - subsidy</i>	22 470 258	24 920 934	5 276 566	5 795 566
XIV. Short-term liabilities	23 022 304	18 823 995	5 406 200	4 377 673
<i>including Revenues of future periods - subsidy</i>	2 430 001	2 411 800	570 624	560 884

XV. Equity	132 184 565	109 317 533	31 040 170	25 422 682
XVI. Share capital	35 728 850	36 113 850	8 390 008	8 398 570
XVII. Number of shares	3 595 141	3 611 385	3 595 141	3 611 385
XVIII. Book value per share (in PLN / EUR)	36,77	30,27	8,63	7,04

The above financial data for 2019 and 2018 have been converted into EUR according to the following rules:

- individual asset and liabilities items relating to:

2019 - at the average rate announced on 31 December 2019 - PLN 4.2585 / EUR,

2018 – at the average rate announced as of December 31, 2018 – PLN 4.3000 / EUR.

- individual data from total income and data on cash flow reports at the rate representing the arithmetic average of the average rates set by the National Bank of Poland for the last day of each month of the financial period (from 1 January 2019 to 31 December 2019) – PLN 4,3018 / EUR and year 2018 (from 1 January 2018 to 31 December 2018) – 4,2669 PLN / EUR.

GK Mo-BRUK has changed its approach to presentation in consolidated financial statements assets and deferred tax provisions. In the consolidated statement of financial activities, deferred income tax was shown in liabilities, in a value representing an excess of the deferred asset reserve in accordance with IAS 12. Data for the comparative period were also corrected accordingly.

The increase in the sales revenues of the Capital Group by 41% in 2019 with a lower growth in operating costs of 20% compared to 2018, resulted in almost twice the sales profit of PLN 51.4 million compared to sales profit in the corresponding period of 2018 of PLN 26.6 million. The Issuer's Capital Group successively strives to increase the revenues achieved from the sale of products and services, which is most affected by the most dynamically developing segment, which is the waste management from which 88% of the consolidated revenues of GK Mo-BRUK come. The improvement of the situation of the Issuer's Capital Group regarding sales revenues was influenced by the acquisition of new contractors in the waste management market, who provided new streams of delivered waste to installations in the facilities of the Issuer's Group and prices - fees for waste treatment services, which after reducing the gray area are competitive.

## CONSOLIDATED STATEMENT OF PROFITS AND LOSSES AND OTHER TOTAL INCOME (comparative variant)

Specification	RZiS for the period: 01.01.2019-31.12.2019	RZiS for the period: 01.01.2018-31.12.2018
<b>Sales revenue</b>	<b>130 566 823</b>	<b>92 667 415</b>
<b>Total costs:</b>	<b>79 161 402</b>	<b>66 110 396</b>
<i>Change in product status</i>	<b>4 871</b>	91 261
<i>Depreciation</i>	6 062 566	5 868 705
<i>Consumption of raw materials and materials</i>	11 541 523	10 807 332
<i>Foreign services</i>	28 535 455	19 859 228
<i>Cost of employee benefits</i>	18 643 555	15 234 988
<i>Taxes and fees</i>	1 349 363	2 370 429
<i>Other costs</i>	852 515	874 303
<i>Value of goods and materials sold</i>	12 171 554	11 004 149

<b>PROFIT (LOSS) ON SALES</b>	<b>51 405 420</b>	<b>26 557 019</b>
Other operating income	364 105	1 301 529
Other operating costs	1 577 413	1 291 232
<b>EBITDA (operating profit + depreciation) *</b>	<b>56 254 677</b>	<b>32 436 021</b>
<b>EBIT (operating profit) **</b>	<b>50 192 112</b>	<b>26 567 316</b>
Financial income	300 548	99 369
Financial costs	866 438	1 327 419
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>49 626 222</b>	<b>25 339 266</b>
Income tax	9 537 972	4 819 669
<b>NET PROFIT (LOSS)</b>	<b>40 088 249</b>	<b>20 519 597</b>

\*/EBITDA is an economic size that is not reflected in the applicable IAS/IFRS accounting standards and does not apply to financial reporting. Therefore, in the Opinion of the Issuer, it constitutes a so-called alternative measurement of results (APM). The presented and calculated EBITDA is the sum of the operating and amortization earnings (profit/loss) result. APM refers to the reporting periods specified in the table header.

\*\*/EBIT is an economic size that is not reflected in the applicable IAS/IFRS accounting standards and does not apply to financial reporting. Therefore, in the Opinion of the Issuer, it constitutes a so-called alternative measurement of results (APM). The EBIT presented and calculated is the same as the profit/loss from operating activities. APM refers to the reporting periods specified in the table header.

The increase in sales revenues while reducing the underlying operating costs was reflected in the improvement of other indicators, including EBITDA. In 2019, Mo-BRUK S.A. Group achieved a 74% higher EBITDA result, which amounted to PLN 56.3 million compared to PLN 32.4 million for 2018.

#### Analysis of the profitability of Mo-BRUK S.A. Capital Group

Specification	2019	2018
Profitability of profit on sales	39,4%	28,7%
EBITDA profitability	43,1%	35,0%
EBIT profitability	38,4%	28,7%
Net profit profitability	30,7%	22,1%

#### Algorithms for calculating indicators:

Profitability of sales profit = sales result / sales revenue

EBITDA profitability = operating income + depreciation / sales revenue

EBIT profitability = operating income / sales revenue

Net profitability = net profit / sales revenue

The Issuer's Capital Group also reported an improvement in profitability rates for 2019 compared to 2018. The profitability ratio of profit on sales rose from 28.7% to 39.4% and the profitability ratio rose from 28.7% to 38.4%. During the periods compared, the net profitability ratio rose from 22.1% to 30.7% while the EBITDA profitability ratio reached 43.1%.

## Profit of Mo-BRUK S.A. Capital Group

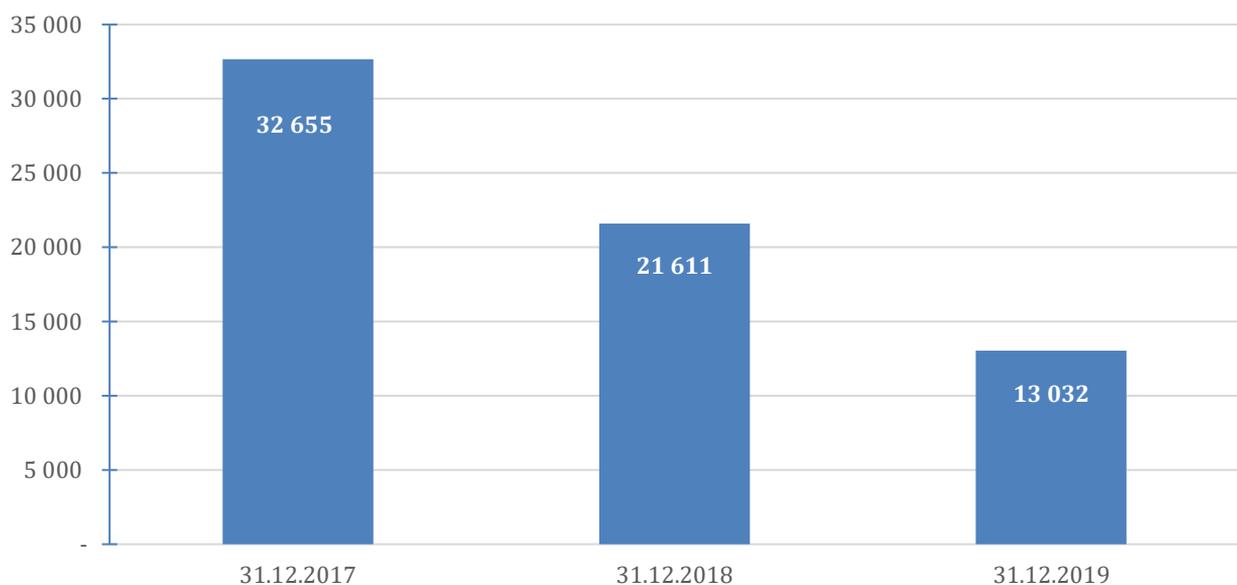
Listing data in PLN	2019	2018	Change
Profit (loss) on sales	51 405 420	26 557 019	93,6%
EBITDA (operating profit + depreciation)	56 254 677	32 436 021	73,4%
EBIT (operating profit)	50 192 112	26 567 316	88,9%
Gross profit (loss)	49 626 222	25 339 266	95,8%
Net profit (loss)	40 088 249	20 519 597	95,4%

In the period 2019, Mo-BRUK S.A. Capital Group recorded significant increases compared to the same period of 2018: operating profit, EBITDA profit, pre-tax profit and net profit of PLN 40.1 million which is almost twice as high as the group's performance in 2018.

Mo-BRUK S.A. Capital Group implements the repayment of financial debt instalments on schedule, thereby significantly reducing its obligations under financial contracts. Over the course of 2019, the Group's financial debt fell by 40%.

Financial debt MO-BRUK S.A. [PLN]			
	31.12.2017	31.12.2018	31.12.2019
<b>Financial debt</b>	<b>32 655 371</b>	<b>21 611 332</b>	<b>13 031 716</b>
<i>of which:</i>			
<i>loan debt</i>	<i>32 337 909</i>	<i>21 503 123</i>	<i>12 896 383</i>
<i>lease debt</i>	<i>317 462</i>	<i>108 209</i>	<i>135 334</i>

## Financial debt Mo-BRUK Group [ PLN k]



Thanks to the systematic repayment of financial liabilities, the Capital Group improves its debt ratios, among other things, the net debt-to-EBITDA ratio has improved significantly.

At the end 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.

Net financial debt ratio to EBITDA GK Mo-BRUK S.A.		
31.12.2017	31.12.2018	31.12.2019 <sup>(1)</sup>
1,8	0,2	-0,3

Indicator calculation algorithm:

financial debt<sup>(1)</sup> = cash / operating profit + depreciation

<sup>(1)</sup> the financial debt included in the calculation of the benchmark does not include the obligation under the perpetual use rights of land

In 2019, Mo-BRUK Group continued its efforts to ensure an adequate volume of waste supply to installations located in the Group's facilities. In 2019, the individual plants of the Mo-BRUK Capital Group recorded better sales results compared to the results achieved in previous periods. Increasing engagement in the inorganic waste management sector contributes to a significant increase in the profitability of the Issuer Group's activities. Bearing in mind that the waste management market in Poland is in intensive development and is very forward-looking management of Mo-BRUK S.A. assumes revenue increases in subsequent periods. The Management Board makes every effort to ensure an adequate waste stream for processing in installations of Mo-BRUK S.A. Group. Continuous commercial activities are also undertaken aimed at acquiring new customers, which should result in a once better financial performance of the Issuer Group.

### 3. Information about basic products and services.

Mo-BRUK S.A. Capital Group whose leading segment is waste management within this segment distinguishes three business lines related to the processing and disposal of waste:

#### Solidification and stabilising inorganic waste

The issuer has the competence and experience of the disposal of inorganic waste and the generation of cement granules from this waste. Mo-BRUK S.A. has been processing a number of types of waste since 1996 based on its own unique technology. Hazardous waste, which is accepted by the Issuer, is subjected to a further processing of the cementation process. For accepted cementation waste, the Issuer charges a fee from the suppliers of waste for disposal. As a result of the reactions taking place during the above process, the hazardous substances contained in these wastes are neutralized. The end result of the process is cement granules, which are a substitute for aggregate, which the Issuer sells to the final recipients. The following types of hazardous and non-hazardous inorganic waste are included in the solidification and stabilisation process: slags and ashes from waste incineration plants, sludge from chemical waste water treatment plants, post-galvanic waste, other waste containing heavy metals.

On the basis of the developed waste cementation technology, two works are operated by the Issuer's

Waste Treatment Plant in Niecew and the Department for Waste Recovery in Skarbimierz.

## Production of alternative fuels

Mo-BRUK S.A. has acquired competence in the production of alternative fuels as one of the first companies in the country. In 2004, the Issuer launched its first alternative fuel production plant in Wałbrzych. In 2008, however, he founded the second such plant in Karsy near Ożarów (at the Ożarów Cement plant). As a result of further investments with the participation of funds from the European Union, the Department for the Production of Alternative Fuels in Karsy was expanded with a second production line. This business line also includes the activities of the separation of iron and colour metals and the storage of non-hazardous industrial waste. On 20 March 2019, the landfill of the Issuer's waste at which the reclamation work is currently underway was completed.

Alternative fuel offered by Mo-BRUK S.A. is produced from segregated combustible municipal waste, which is supplied by waste collection companies. In addition, combustible industrial waste supplied directly by industrial plants, e.g. by industrial plants, is used for the production of alternative fuels. automotive and furniture companies and waste collection companies. The waste adopted is then subjected to mechanical treatment, resulting in alternative fuel.

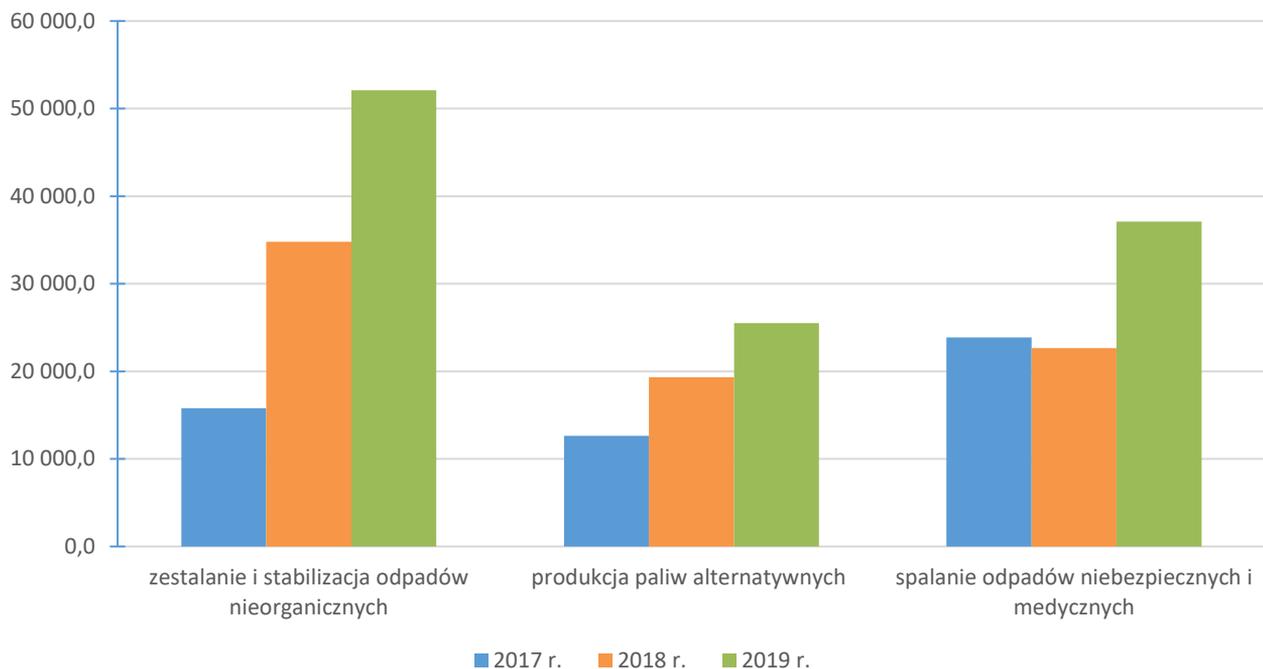
## Incineration of hazardous and medical waste

In 2008, Mo-BRUK J. Mokrzycki limited partnership (the issuer's legal predecessor) bought an incinerator of industrial and medical waste Raf-Ekologia Sp. z o.o. Waste incineration plant Raf-Ekologia Sp. z o.o. in an environmentally safe way conducts thermal disposal of industrial and medical and veterinary waste. As a result of the incineration of certain waste groups Raf-Ekologia Sp. z o.o. produces energy in the form of a technological steam, which it sells to the Refinery of Kerosene Jedlicze S.A. The Issuer in 2014 launched a second industrial waste incinerator located at the Department of Alternative Fuels Production in Karsy. The investment was carried out as part of the project "Implementation of innovative technology for the production of high-calorie calorific fuel mixture" for which the Issuer has raised funds from the European Union. The resulting incinerator is a source of warm air used to dry alternative fuel. Incineration plants, disposal or recovery processes are subjected, inter alia, to the following types of waste: paints, solvent adhesives, poaching waste, waste from kerosene and gas exploration, medical and veterinary waste, expired agrochemicals, laboratory and analytical reagents.

## Revenues of Mo-BRUK S.A. Capital Group from waste management

Revenue [thousand PLN]	2017	2018	2019
solidification and stabilisation of inorganic waste	15 800,7	34 790,3	52 101,2
production of alternative fuels	12 632,8	19 337,2	25 521,0
incineration of hazardous waste	23 877,8	22 653,8	37 108,9
<b>Total:</b>	<b>52 311,3</b>	<b>76 781,3</b>	<b>114 731,1</b>

**Consolidated revenues from waste management**  
[PLN k]



Waste management in the Mo-BRUK Capital Group is the most dynamically developing segment from which 88% of the Issuer's consolidated revenues come, in which the Issuer has carried out several investment projects in recent years that were funded by the European Funds.

The main source of revenue of the Issuer are the fees for the acceptance of waste for further disposal or other management. In this regard, GK Mo-BRUK S.A. acts as an important link in the waste management chain in Poland, as it is an alternative to landfills. Companies collecting municipal waste or waste holders are interested in working with Mo-BRUK S.A. Capital Group, as this allows them to reduce landfilling. On the other hand, the Issuer is interested in receiving waste for further management, because it has technology and experience in the treatment of waste into full-fledged products (alternative fuel, cement granules and energy).

The Issuer has the competence and authorisation to dispose of almost a whole range of waste listed by the Regulation of the Minister of the Environment of 9 December 2014 on the catalogue of waste (OPs 2014 item 1923). Polish conditions stipulate that the disposal of waste is paid by the manufacturer, not by a "cleaning company" or a "disposer" such as the Issuer. Therefore, Mo-BRUK S.A. is able to charge waste acceptance fees at a level similar to or higher to the fees charged by landfills. The amount of remuneration collected by the Issuer depends on the category of waste, its physical-chemical category, location and ultimately on negotiated conditions.

## 4. Information about outlets.

Mo-BRUK S.A. Capital Group operates mainly in the waste management market. The issuer also operates on the market for the construction of concrete surfaces and other activities related to trade in fuels. The main recipients of waste management products and services are domestic contractors, but the Group, through the search for new markets, also cooperates with foreign contractors. However, the group's actions are mainly aimed at increasing market share.

### GK Mo-BRUK's revenues from foreign contractors [thousand PLN]

Year	Value	% share of consolidated sales revenue
2018	5 841,3	6,3%
2019	9 835,0	7,5%

Prospects for the development of the markets in which the Issuer's Capital Group operates

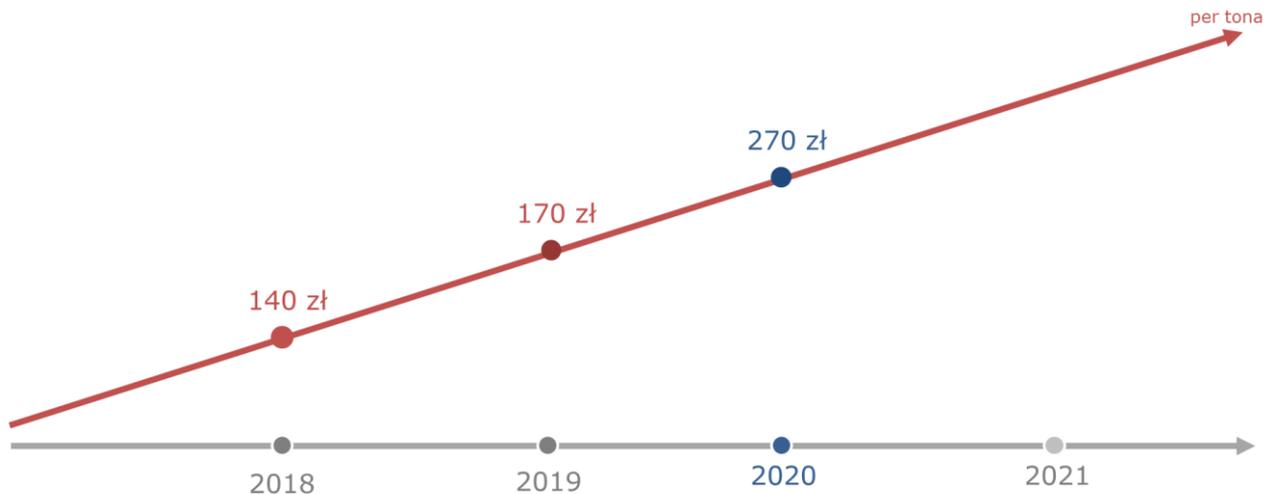
The activities of the Mo-BRUK S.A. Capital Group focus on the waste management market, i.e. the acceptance of waste for disposal or further management. The issuer considers this market to be forward-looking. Such an assessment is based on the following facts:

- The waste management policy in Poland aims to encourage green behaviour for waste producers (companies and individuals). Waste producers are increasingly being forced to pay high fees for waste produced. The aim of this policy is to systematically reduce the waste produced in Poland and to create the right conditions for their economic management (recycling). As a result, the Polish state, modelled by "Western" countries, is beginning to promote recycling and recovery rather than landfilling. This means that companies such as Mo-BRUK S.A. and Raf-Ekologia Sp. z o.o. face the opportunity for dynamic growth.
- New technological solutions allow for the ecological application of an increasing lysis of a wider group of waste. Moreover, more and more companies have recently been convinced of the use of alternative fuel produced from waste as the primary fuel raw material. The main reason for the effect of substitution of waste towards traditional fuels, such as coal and biomass, is the price.
- Economic development in Poland affects the change in the mentality of residents in the field of environmental protection. As a result, the number of people separating waste is increasing, which contributes to the increasing importance of the recycling industry and the social reception of recycling companies.

Important for the municipal waste market is the Environmental Law Act and the regulation with this law and the Notice, including the Notice of the Minister of the Environment on the amount of environmental charges for 2020 - imposing so-called "environmental charges" on landfills. the marshal's fee which landfills are required to discharge from each tonne of waste accepted into the landfill. It should be noted that the current proposals for further regulations assume a systematic increase in this fee in the coming

years, which may consequently significantly contribute to reducing landfilling and increasing the importance of waste management activities, carried out by companies such as Mo-BRUK S.A. and Raf-Ekologia Sp. z o.o.

## The evolution of the marshal's charge



Source: On the basis of the Council of Ministers Regulation of 6 March 2017 amending the Regulation on environmental charges (OJ L 168, item 723)

According to the Issuer, the regulations in force and planned for implementation in Poland impose an obligation on local governments to reduce the landfilling of municipal waste, which means that demand for waste management services should increase significantly over the next few years. The issuer welcomes the changes taking place in the municipal waste market and sees in these changes a market opportunity to strengthen its competitive position.

## 5. Significant agreements for the activities of the Issuer Group concluded in the period 2019.

### 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 Warsaw 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 Auschwitz

On 13.02.2019 The Issuer signed Annex 1 to the agreement with Synthos Dwory 7 a public company with its registered office in Auschwitz extending the subject matter of the contract for the reception, transport and management of waste debris containing mercury from the demolition of the former electrolysis facility D-2028 with 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. December 31, 2019.

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 arising in the process of thermal disposal of municipal waste in 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.

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).

Conclusion of a significant agreement with ORLEN Eko Sp. z o.o.

On October 14, 2019, the Issuer signed an agreement with ORLEN Eko Sp. z o.o. for the provision of a service consisting in the collection, transport, and disposal of waste showing hazardous properties, stored in Siemianowice Śląskie at ul. Liberation 2.

The issuer's maximum remuneration for the performance of the contract in question will be

approximately PLN 9 200,000.00 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 quantity of waste actually disposed of. In the event that the quantity of waste exceeds the quantity specified in the Agreement, the Purchaser provides for the signing of an addendum increasing the scope of the Agreement.

The agreement was signed for a limited period from the date of conclusion of this Agreement, i.e. 14 October 2019 to 25 May 2020.

## **6. Important events in the Group during the reporting period.**

### 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. 1, on March 20, 2019, the Management Board of Mo-BRUK S.A. informed that the landfilling of the waste in the landfill in question had been completed. Issuer therefore sent on 20 March 2019. request for permission to close the last 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 the treatment of waste in stabilisation processes, the incineration of hazardous and medical waste 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.

### Acquisition of own shares

On 5 July 2019, the Issuer, acting on the basis of Resolution No.20/2019 of the General Meeting of 24 June 2019 on the authorization of the Management Board to acquire on behalf of and on behalf of the Company own shares, submitted an invitation to submit bids for the sale of shares addressed to all shareholders.

On July 19, 2019, through BH BOŚ S.A., the Issuer acquired a total of 60,000 own shares with a nominal value of PLN 10, at a price of PLN 125 per share. The shares acquired represent 1.66% of the Issuer's share capital and entitle to 72,090 votes at the general meeting of the Issuer, representing 1.68% of the total number of votes, provided that the Issuer is not entitled to exercise voting rights from its own shares.

## 7. Significant agreements for the activities of the Issuer Group concluded after the reporting period.

### Conclusion of a significant agreement with the Municipal Waste Management Department Sp. o.o. based in Konin

On January 2, 2020, the Issuer signed an agreement with the Municipal Waste Management Department Sp. z o.o. with its registered office in Konin to provide a service consisting in the collection, transport and final management of post-process waste from the Municipal Waste Thermal Disposal Plant.

The issuer's maximum remuneration for the performance of the contract in question may be PLN 10,178,000.00 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 actual weight of the waste received. The estimated amount of waste to be collected during the contract is 14 000 tonnes.

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 the period from 2 January 2020 to 31 December 2021.

## 8. Information about the Issuer's organisational or capital relationship with other entities and the identification of its main investments and a description of the methods of financing them.

### Related entities with which the Issuer traded in the period 2019

Lp.	Affiliate name	Nature of the relationship
1.	Raf – Ekologia Sp. z o.o.	The Issuer's subsidiary (since December 2008)
2.	Magdalena Mokrzycka	Spouse of the Vice-President of the Management Board of the Issuer, Mr. Wiktor Mokrzycki
3.	Norbert Nowak	Husband Vice-President of the Management Board of the Issuer, Mr. Anna Mokrzycka - Nowak

## 9. Description of transactions with related parties.

During the period covered by the historical financial information examined, in 2019 the Issuer was a party to the transactions presented below with the above-mentioned related parties:

1. On July 1, 2010, the Issuer concluded an employment contract with Mr. Magdalena Mokrzycka for an indefinite period.

The salary for the above-mentioned contract in 2019 amounted to PLN 58,050.98,

2. On May 2, 2012, Mr. Norbert Nowak was contracted for an indefinite period of time. The agreement was terminated on 31 August 2019. by agreement of the parties. On 16 December 2019, another employment contract was concluded with Mr Norbert Nowak for the period up to 30 June 2020.

The salary for the above-mentioned contracts in 2019 amounted to PLN 53,238.65,

On December 20, 2019, the Supervisory Board adopted a resolution on the co-opting of Mr Norbert Nowak to its composition.

The salary from the above-mentioned title in 2019 amounted to PLN 3,500.00.

3. On December 30, 2008, the Issuer acquired Jedlicze S.A. from the Refinery of Nafta Jedlicze S.A. with its registered office in Jedlicze organizationally and financially a separate set of material and intangible components forming an organized part of the company (assets related to the activities of Raf – Ekologia Sp. o.o.) under the Agreement for the sale of an organized part of the company and the certificate of establishment of the mortgage of 30 December 2008 (Notarial Deed of 30.12.2008, Rep. A No. 9322/2008) and therefore the Issuer, by law, he entered into all the rights and obligations under lease agreement No 44/REk/2004 of 31 May 2004 concluded between the Kerosene Refinery Jedlicze S.A. (as the Leaser) and Raf – Ekologia Sp. z o.o. (as the Tenant). In accordance with the provisions of the Lease Agreement, the leaser has leased Raf – Ekologia Sp. z o.o. assets intended for the management of waste: m.in. buildings, buildings, means of transport, equipment and movable property. The Agreement provides that the Lessee may not lease or lease the lease to a third party for free use and the Issuer is entitled to check the technical condition and use of the items leased. Major renovations and improvements to the buildings included in the lease subject, The Lessee may, after obtaining the consent of the Issuer and agree with it, the method of settlement for major renovations and improvements. Public and legal charges related to the subject of the lease, including property tax and insurance costs are borne by the Issuer. The tenant took over the obligations of the Issuer under the Environmental Protection Act with regard to the operation of leased installations and equipment. The contract has been concluded for an indefinite period and may be terminated at any time, by written agreement of the parties or with a written notice on pain of nullity, by one of the parties with 3 months' notice period counted at the end of the calendar month, in addition, the Issuer has the right to terminate the Agreement with immediate effect in the event of the use of the lease dismay and purpose of the lease, or not to pay the Leaser's lease rent for at least 2 payment periods, or to lease the lease, without the consent of the Issuer, to use or lease the issuer's shares free of charge, or to subscribe to the Issuer's shares in the Leaser in exchange for a non-monetary contribution leased.

This Agreement contains 25 Annexes, which have increased the amount of rent, with Annex 25 of 28 December 2016 it was decided that from 2017 the monthly lease rent is PLN 285,000.00 net and includes property tax, server property hosting insurance for SAP, R2Funds and R2Payer programs.

The value of rent in 2019 was PLN 3,420,000.00

The abovementioned transactions were concluded on market terms.

In addition to the above mentioned, during the period covered by the historical financial information examined, in 2019 the Issuer concluded with a subsidiary Raf-Ekologia Sp. z o.o. waste management transactions (i.e. the transfer of waste between the Issuer and a subsidiary of Raf-Ekologia Sp. z o.o.) and provided marketing services. The transactions concluded do not deviate from market conditions. The value of the remaining transactions with Raf-Ekologia Sp. z o. o. in 2019 was PLN 888,543.72.

The value of transactions with related parties in 2019 was PLN 4,308,543.72, which represented 3.66 % of the issuer's unit sales revenue.



## **11. Indication of relevant proceedings pending before a court, the competent authority for arbitration proceedings or a public administration concerning the obligations and claims of the issuer or its subsidiary.**

At the date of the Financial Statements, both in the case of the Issuer and its subsidiary, there are no relevant proceedings before the court, the competent authority for arbitration proceedings or a public administration body.

## **12. Information on loan and loan agreements entered into and terminated in a given financial year**

In 2019 and until the date of this Report, there were no outstanding loans or violations of the relevant provisions of the loan agreement in the Mo-BRUK Group.

In 2019 and by the date of this Report, Mo-BRUK Group companies signed the following important agreements, agreements and annexes to financial agreements:

### *Annex to the Non-Renewable Credit Agreement between Mo-BRUK S.A. and BOŚ S.A. with its registered office in Warsaw*

On May 22, 2019, the Issuer signed an addendum to a credit agreement of PLN 30 million with The Bank for Environmental Protection S.A. The amount of the loan outstanding on the date of signature of the annex was PLN 11.7 million.

Under the signed annex, the security in the form of a registered pledge of 100% of the current (owned by Mo-BRUK S.A.) and future shares in Raf-Ekologia Sp. z o.o. was exempted.

### *Annex to the Agreement for the granting of bank guarantees between Mo-BRUK S.A. and PKO BP S.A. with its registered office in Warsaw*

On October 14, 2019, the Issuer signed an addendum to the Bank Guarantee Agreement No. 8610202892000510206499604 from PKO Bank Polski S.A. The annex to the agreement extends the term of the limit of bank guarantees in the amount of PLN 1.5 million until October 14, 2020..

### *Contract for the granting of bank guarantees between Mo-BRUK S.A. and PZU S.A. with its registered office in Warsaw*

On October 29, 2019, the Issuer signed with PZU S.A. with its registered office in Warsaw Contract No. UO/GKR/56/2019/051 for periodic granting insurance guarantees. The contract was concluded for a period of 12 months (until 28 October 2020) with a guaranteed amount of PLN 1.5 million available.

## **13. Changes in the basic principles of management of the issuer's undertaking and its capital group**

In the period of 2019, there was no change in the basic principles of management of the Issuer's company and its Capital Group.

**14. An indication of the effects of changes in the structure of an enterprise, including the combination of economic units, long-term investments, division, restructuring and omission.**

In the period 2019, there was no change in the structure of the enterprise.

**15. An explanation of the differences between the financial results shown in the annual report and the previously published performance forecasts for the year.**

Mo-BRUK S.A. Capital Group did not publish forecasts for 2019.

**16. Information on the conclusion by the issuer or subsidiary of one or more related parties, if individually or collectively, they are relevant and concluded under conditions other than market conditions.**

Neither the issuer nor its subsidiary contained any transactions on non-market terms.

**17. Information regarding 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 distribution of profit earned in Mo-BRUK S.A., the Management Board of the Company will take into account investment plans including acquisition, financial and liquidity situation of the Group, existing and future liabilities (including potential restrictions related to credit agreements and issuance of debt instruments) and evaluation 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 19.365.132.11 was earmarked as follows:

1. 9,683.413.76 PLN for the Company's reserves,
2. 9,682.518.35 PLN for the payment of dividends to the Company's shareholders.

Ordinary General Meeting of Shareholders of Mo-BRUK S.A. set a dividend date (Day D) as of July 3, 2019 and the deadline for payment of the dividend (Day W) as at July 10, 2019.

Dividend payments were not covered by own shares acquired by the Company for redemption of 38,500 units.

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

The dividend was paid on May 31, 2019.

The payment of the dividend has a benefit on the Issuer's solo financial result, but does not affect the consolidated result.

#### **Adoption of a resolution on the payment of dividends**

On March 3, 2020, by Resolution No. 6/2020, the Extraordinary General Meeting of Mo-BRUK S.A. decided to allocate from the reserve an amount of PLN 12,330,226.65 for the payment of dividends.

The Extraordinary General Meeting of Shareholders of Mo-BRUK S.A. has set the dividend date (day D) as of March 12, 2020 and the deadline for payment of the dividend (W day) as of March 19, 2020.

Dividend payments are not subject to own shares acquired by the Company for redemption of 60,000 units.

The dividend per share was PLN 3.51.

#### **18. Any contract concluded between the issuer and the managers providing for compensation in the event of their resignation or dismissal from their position for no valid reason or where their cancellation or dismissal occurs due to the merger of the issuer by acquisition.**

At the date of the Report, the Issuer did not enter into agreements providing for compensation for members of the management or supervisory bodies of the Issuer and senior management persons, paid at the time of their resignation or dismissal from their position without a valid reason or when their cancellation or dismissal occurs due to the merger of the Issuer by acquisition.

#### **19. Information about guarantees and guarantees granted and received in a given financial year, with particular regard to guarantees and guarantees granted to related entities of the Issuer.**

In 2019, the Issuer did not provide guarantees and guarantees to related parties.

Information about the guarantees received in 2019 is presented in note No. 32.3. "Contingent

*obligations for guarantees and guarantees received - detailed specification*" in the Financial Statements of the Mo-BRUK S.A. Capital Group for 2019..

**20. Information on the granting by the issuer or subsidiary of the issuer of the loan guarantee or guarantee by the issuer or subsidiary of the issuer, collectively, to one entity or subsidiary of that entity, where the total value of existing guarantees or guarantees is significant.**

In the reporting period ending December 31, 2019, Mo-BRUK S.A. or its subsidiaries did not provide guarantees of credit or loans and did not provide guarantees whose total value is significant.

**21. Value of remuneration, awards or benefits, including those arising from incentive or bonus schemes based on the issuer's capital, including programmes based on bonds with priority, replacement rights, subscription warrants, paid, due or potentially due, separately for each of the persons managing and supervising the issuer in the issuer's undertaking**

In 2019, the Issuer did not pay prizes or benefits, including those resulting from incentive or bonus schemes based on the issuer's capital, including programmes based on bonds with priority, replacement rights, subscription warrants (in money, nature or any other form), paid, due or potentially due, separately for each of the issuer's managers and supervisors in the issuer's undertaking, whether they were included in the costs or resulting from the distribution of profits.

On 3 March 2020, the Extraordinary General Meeting of Mo-BRUK S.A. (d) in the 1990s and 1990s, concluded that the 90 d of the Act of 29 July 2005 on the public offer and conditions for the introduction of financial instruments into an organised trading venue and on public companies (i.e. Journal of Laws of 2019, item 623 as amended), adopted Resolution No 5/2020 on the adoption of the remuneration policy of the members and the Supervisory Board of Mo-BRUK.

The overarching goal of the Remuneration Policy is to contribute to the implementation of the business strategy, long-term interests and stability of the Company. Includes m.in. elements such as:

1. Increase the company's value through the development of the highest management staff,
2. Ensuring a coherent and incentive remuneration system for members of the Management Board,
3. Shaping the amount of remuneration of the Members of the Management Board in conjunction with the achievement of the management objectives set.

The policy applies to the following persons:

- a. Members of the Management Board,
- b. Members of the Supervisory Board

General salary assumptions:

1. The Company shall distinguish between the basic salary of a fixed nature covering payments and

benefits which belong to persons covered by the Remuneration Policy for the function performed, the responsibility performed, the work performed which does not depend on the criteria relating to the performance or assessment of the performance of the person concerned and the variable remuneration, which is dependent on the results achieved. Variable remuneration within the meaning of the Policy does not constitute an exceptional reward or benefit when they are not based on the assessment of the performance of the Employee or the company's financial result.

2. Where remuneration is divided into fixed and variable components, the fixed components shall constitute a large enough part of the total remuneration to be able to pursue a flexible policy on variable remuneration components depending on performance.
3. The amount of the fixed remuneration components of the persons covered by the Policy shall be determined each time in agreement with the person concerned on the legal basis of employment.
4. The Supervisory Board shall determine the amount of remuneration for the members of the Management Board taking into account the content of the Policy, market conditions, the substantive suitability and the extent of the responsibility of the person concerned.
5. Members of the Management Board of the Company shall not receive remuneration or awards for their duties in the authorities of companies belonging to the Mo-BRUK S.A. Capital Group.
6. Fixed remuneration components may consist of m.in:
  - a. Fixed monthly salary
  - b. Additional benefits
  - c. Severance and compensation
7. Non-financial remuneration components of the Members of the Management Board may consist of m.in:
  - a. the use of a medical package financed by the Company;
  - b. the use of a company car assigned to the sole disposition with the possibility of use for private purposes;
  - c. the use of a service apartment where the availability of the worker is necessary in view of the nature of the work and the scope of the duties;
  - d. the use of insurance policies.

The remuneration values of the managers and supervisors of the parent company Mo-BRUK S.A. are included in the Financial Statements of Mo-BRUK S.A. Capital Group for 2019 in explanatory notes No. 31.2 "Remuneration of key employees of the Parent Company without the Supervisory Board received in the *Company*" and note 31.3 "Remuneration of the members of the Supervisory Board received in the *Company*".

## 22. Information on non-financial indicators related to the activities of the Capital Group and information on employee and environmental issues.

### EMPLOYEE ISSUES

Mo-BRUK Capital Group achieves success thanks to its employees and their cooperation at all levels of the whole organization. In particular, the Group takes care of relations with employees and prioritises job development activities. All employees have equal opportunities and opportunities for development. Decisions relating to employment or internal promotion shall be subject only to the qualifications of the candidate and his achievements. GK Mo-BRUK S.A. is against any discrimination in employment, in particular on grounds of gender, age, disability, race, religion or nationality. The Group uses the practice of equal pay for women and men for similar work. GK Mo-BRUK primarily focuses on qualified staff at every level, therefore it gives employees opportunities for development through mandatory training as well as the possibility of reporting individual training needs.

#### Sales revenue per employee

Specification	2019	2018
<b>GK Mo-BRUK</b>		
sales revenue [thousand PLN]	130 567	92 667
average annual employment [of persons]	233	219
<b>revenues from sales per employee [thousand PLN]</b>	<b>560</b>	<b>423</b>

#### Employment by education

Specification	Basic	Professional	Average	Higher
<b>GK Mo-BRUK</b>				
<b>31.12.2019</b>	27	81	83	52
<b>31.12.2018</b>	23	74	75	53

#### Employment by age

Specification	20-30	31-40	41-50	51-60	61-70
<b>GK Mo-BRUK</b>					
<b>31.12.2019</b>	42	71	60	54	16
<b>31.12.2018</b>	33	69	50	60	13

## Environment

Due to the nature of GK Mo-BRUK's activities, the Group was required to obtain business permits which have a direct impact on the environment and on the use of property, plant and equipment. The operation of business in individual locations is strictly dependent on the disposal of those licences in which it m.in. environmental issues and requirements are specified in detail. The absence of waste management permits would prevent the continuation of operations and thus the use of plant's physical fixed assets for the purposes of doing business to the current extent.

The Group is subject to a number of regulations and regulations relating to the use of the area and the protection of the environment, which are important for the use of tangible assets. The most important of these are:

- Act of 27 April 2001 Environmental Law (OU 2001 No. 62, item 627 as amended),

The Act lays down environmental principles and the conditions for the use of its resources, taking into account the requirements of sustainable development, and in particular:

- 1) rules for determining: (a) environmental resource protection conditions, (b) conditions for the introduction of substances or energy into the environment, (c) environmental costs,
- 2) making environmental information available and protecting it,
- (3) public participation in environmental proceedings,
- (4) the responsibilities of the administration,
- 5) liability and sanctions.

- Act of 16 April 2004 on nature conservation (OU 2004 No. 92, item 880 as amended),

The Act sets out the objectives, principles and forms of protection of living and inanimate nature and landscape.

- Waste Act of 14 December 2012 (OU 2013 item 21 as amended),

The act introduces regulations that force operators to modify both waste management technological processes themselves and amends the formal and legal requirements for this issue and reporting. The Act regulates the general requirements for the management of waste as the rules for waste management, i.e. rules on waste generation and the rules on waste management – that is, their transport, collection and treatment. The law introduces, in addition to the protection of human life and health and the environment, the second most important general principle of waste management – a hierarchy of ways of dealing with waste, the practical application of which is a priority objective of the law. The Act regulates the two types of allowances required for waste management, which have been named as a waste collection permit and a waste treatment permit. The Act introduces the conditions and rules for the administration of administrative fines separately from the Environmental Law Act

- Act of 11 May 2001 on the obligations of entrepreneurs in the management of certain waste and on the product and deposit fee (OZ 2001 No. 63 item 639 as amended),

The above mentioned law is primarily to prevent the production of waste, to reduce its quantity and harmfulness, and if this is not possible, to create adequate conditions for the recovery and recycling of

packaging and post-use waste. The operator is obliged to ensure the recovery and, in particular, the recycling of packaging and post-use waste.

- Act of 18 July 2001 Water Law (OJ 2001 No. 115, item 1229 as amended),

The Act regulates the management of waters in accordance with the principle of sustainable development, in particular the shaping and protection of water resources, water use and water management.

In carrying out its business, Mo-BRUK Group makes every effort to comply with land use and environmental regulations.

### **23. A description of the relevant risk factors and risks, specifying to what extent the issuer is exposed to them.**

The risk factors described below do not constitute a closed list and should not be perceived in this way. They are the most important elements from the point of view of the Issuer Group. It should be aware that, due to the complexity and variability of business conditions, other factors not included in this report may affect the Group's activities. The following order of the described risk factors is not related to the assessment of the likelihood of negative events for the Issuer Group or an assessment of their significance.

- **Risk of COVID-19 corona effects**

Mo-BRUK Group takes continuous action in order to protect against the effects of Covid-19. We conduct educational activities among crews, customers and suppliers to reduce the risk of covid-19 spread.

At the moment, there have been no Covid-19 infections among the group's employees.

To date, there has been no negative impact of Covid-19 on its activities. The Management Board continuously monitors the situation with our customers and is ready to respond to possible threats on an ongoing basis.

The Management Board recognises the potential risks associated with the possible introduction of quarantine at individual group facilities or at significant suppliers. The introduction of such quarantine can have a negative impact on the financial results achieved.

The risks associated with the impact of Covid-19 on the continuation of operations are assessed by the Board as minimal.

- **Macroeconomic risks**

The revenues of the Issuer Group are mainly realized from activities on the domestic market and therefore depend indirectly on factors related to the general macroeconomic situation of Poland. These factors include the unemployment rate, the pace of economic growth, the level of inflation, the level of the budget deficit. Possible perturbations in international financial markets could affect the economic situation in Poland. The perturbation could result m.in: a decrease in the pace of domestic economic growth, an increase in the unemployment rate and a depreciation of the gold exchange rate against foreign currencies. The macroeconomic trends described above may affect the financial situation of the Issuer Group. Any future adverse changes to one or more of the above factors, in particular the

deterioration of the Polish economy, the possible currency crisis, the public finance crisis, or political instability, may have a negative impact on the performance and financial situation of the Issuer Group.

➤ **Risks associated with regulatory changes**

Regulations in Poland are constantly changing. As a result, there is a need to bear the costs of monitoring legislative changes and the costs of adapting to changing legislation. Furthermore, in the event of vague wording in the legislation or inconsistency between national and European Union regulations, there is a risk of discrepancies in their interpretation between the Issuer Group and other entities such as contractors or administrative authorities. In the case of the Issuer Group, the risks associated with the law are particularly important because, in addition to the general regulations to which all entities carrying out economic activities (e.g. The Commercial Companies Code, accounting law, the Corporate Income Tax Act, etc.), it is also subject to appropriate regulations on waste management – not only at national level, but also within the framework of European Union regulations. Any significant changes in the regulations in this regard may have a direct significant impact on the core activities of the Issuer Group, even leading to a significant deterioration in the operating conditions and thus deterioration of financial results.

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

The main industries in which the Issuer Group operates, i.e. the waste management industry and the alternative fuels industry, are characterised by high growth and high opportunities to expand the activities of its operators. Nevertheless, factors such as macroeconomic conditions, regulation and the level of public awareness (including at the level of economic operators) in environmental protection have a significant impact on the economic situation of the above mentioned industries. Thus, a possible deterioration in the overall economic situation of the country, a reduction in public expenditure on environmental protection, changes in the law increasing the amount of necessary expenditure incurred for these purposes by the private sector or other significant changes in environmental legislation may have a significant negative impact on the activities of entities that operate in these industries – including the Issuer Group. The consequence of the downturn in the waste management industry would be a significant deterioration in the financial performance of the Issuer's Group.

➤ **Risks associated with potential changes to the law and inconclusive interpretation of the law**

Relatively frequent changes in the law, in particular regarding tax obligations and their ambiguous interpretation significantly hinders the long-term planning of investment projects of the Issuer Group, which consequently may negatively affect the performance of the issuer's group. Frequent changes in tax regulations as well as the threat of high penalties and sanctions imposed by tax authorities can have a negative impact on the activities of the Issuer Group. An additional significant risk is the relies of tax authorities on tax rulings by higher authorities and courts. These interpretations are very often contradictory and are subject to frequent changes, which creates a high risk of unpredictability as to the conduct of the tax authorities and the instability of the tax law in Poland.

## ➤ **Risks related to competition**

The sector in which the Issuer Group operates is characterized by extremely dynamic development. It is mainly due to a change in the legal regulations in this area (both in Polish and European legislation) which force the disposal of harmful waste, materials and substances. An additional development aspect is the development of environmental awareness of society – as a result, there is an increase in demand for waste disposal services. The dynamic development of this market will directly increase its attractiveness and will increase the interest in the entry of new entrants – not only domestic, but also foreign. This risk is assessed by the Issuer's Group as important, as a consequence of materialization of this risk can lead to an increase in competitiveness in the industry and a significant decrease in the profitability of the issuer's Group.

## ➤ **Interest rate risk**

The Issuer's Group has investment loans interest-bearing on the basis of a variable interest rate. There is a risk of a negative change in interest rates in the Polish economy, which may increase the cost of servicing loans, which will consequently reduce the profit from the financial activities of the Issuer Group.

## ➤ **Exchange rate risk**

The main activity of the Issuer Group does not generate currency risk. The Issuer's Group has debt solely in Polish currency. The Issuer's Group has signed agreements with foreign entities for the management of waste, in which the remuneration is expressed in euro. In view of the significant diversification of waste suppliers, the Management Board of the Issuer considers exchange rate risk to be of significant importance.

## ➤ **Risks associated with the requirement to have valid permits**

The conduct of business by the Issuer Group is strictly regulated by the relevant regulations and requires the obtaining of appropriate permits. The operation of individual waste recovery facilities and alternative fuel production facilities require the permits of marshals of individual provinces and the Old Towns of individual districts corresponding to the locations of the activities of the Issuer Group's facilities. As of the date of this report, the Capital Group shall have all the essential authorisation necessary for its day-to-day operations. Not having adequate and valid permits would be tantamount to the need to cease operations and the risk of imposing administrative penalties on the companies of the Issuer Group. The Issuer's Group sees the risks as very important. In the event of a situation where any material permit is collected, the core activities of the Issuer Group would be jeopardised, which could consequently lead to a loss of revenue from that source.

## ➤ **Risks associated with public dissatisfaction with the activities of the Issuer Group**

The activities of the Issuer Group in waste management are one of the difficult to accept among local communities and environmental organizations and causes public dissatisfaction among the population living a short distance from the facilities of the Issuer Group. Residents' complaints relate to noise levels, increased heavy goods traffic and concerns about environmental hazards, air pollution, land and

groundwater. Despite the issuer Group having permits, arrangements, patents and approvals related to its activities and to exercise due diligence so that the activities of the plants do not hinder the life of the surrounding inhabitants, the Issuer may not exclude the negative impact of these complaints on the image of the Issuer Group. The Mo-BRUK S.A. Capital Group is serious about the opposition of local communities, and therefore seeks a clear policy of informing the public about the consequences of its activities. Nevertheless, usually during four-year periods, particularly during the elections, social reactions are fuelled.

➤ **Risks associated with trading within the Issuer's Capital Group**

Tax regulations require the Issuer (Mo-BRUK S.A.) and the Subsidiary (Raf-Ekologia Sp. z o.o.) to apply transaction prices in intragroup transactions at market level. The prices used in intra-group transactions may be challenged by tax administrations when prices deviating from market prices are applied. The issuer and its subsidiary shall not have an agreement with the competent tax administration on the fixing of transaction prices within the meaning of Article 10. 20a and then. Act of 29 August 1997 tax code. Such an agreement could significantly reduce the risks indicated. In order to limit the above risk, the Issuer and the Subsidiary in the contractual relations between them shall exercise particular diligence in order to determine transaction prices at a level corresponding to market prices.

➤ **Risks associated with the loss of major suppliers**

Ensuring the continuity of waste supply for disposal and subsequently for the production of alternative fuel is a very important element of the activities carried out by the Issuer Group. The possible termination of the contract by the waste suppliers (these are most often municipal waste export companies) would be a very unfavourable event and could cause difficulties in the proper functioning of the Issuer Group and lead to a significant deterioration in its financial performance. Due to the fact that there are a large number of such entities on the market, the Issuer Group is able to acquire new contractors in the short or medium term.

➤ **Risks associated with the loss of key contractors**

The main recipients of alternative fuel of the Issuer are w cement plants, which supply alternative fuel produced by the Issuer in the process of waste treatment. Problems in maintaining the timeliness of deliveries or the quality of the alternative fuel transferred may result in the termination of the contract by counterparties. The issuer sees the risk as significant. Due to the fact that they are clients of great importance to the Issuer – the termination of any of these agreements could have a significant negative impact on the performance achieved by the Issuer Group.

➤ **Risks associated with failure to comply with public company information obligations**

Public companies listed on the regulated market of the Warsaw Stock Exchange are obliged to comply with information obligations, including the transmission of implementing regulations to the Financial Supervision Commission, the company operating the regulated market, current information and periodic information, in accordance with the provisions of the Offer Act in force in this regard and issued under its implementing regulations. In the event of failure or improper performance of the above obligations

by a public company, the Commission may decide to exclude securities for a limited period or indefinitely from trading on a regulated market 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 together (Article 96(1)(1) of the Offer Act). Moreover, in accordance with Article 2(10) of the basic Regulation, the commission of the Whereas Article 98 (2) of the Treaty provides that the community 7 of the Act on The Offer, the Issuer and the entity which participated in the preparation of the information referred to in Article 10( 1) and (2) of the Act on The Offer. Whereas article 56 (2) of the Treaty provides that the community 1 of the Offer Act, is required to make good the damage caused by making false information available to the public or the silence of information, unless neither he nor the persons responsible for which he is responsible for the damage caused by the disclosure to the public of false information or the silence of the information, unless he or the persons for which he is responsible for the charge. Due to the fact that the Issuer since 2010 is a company whose shares have been listed on the alternative trading venue NewConnect and since 2012 on the regulated market of the WSE where it conducts a regular information policy in the field of both periodic and current events affecting its activities, the Issuer is less likely to fail to comply with the obligations of a public company.

The issuer shall make every effort to fulfil the information obligations. However, it is not in a position to rule out that, as a result of an adverse coincidence, the improper performance of information obligations may occur and, consequently, to the application to the Issuer of the sanctions provided for in the Offer Act, which may affect the financial performance of the Issuer or cause the trading of its shares to be distorted.

The Issuer indicates that the Company has not in the past been sanctioned in the company for incorrect disclosure obligations.

## **24. Major events with a significant impact on the activities and financial results of the Mo-BRUK S.A. Capital Group in the financial year or whose impact is possible in the following years.**

### *Risk of covid-19 corona effects*

At the end of 2019, china's corona virus news came for the first time. In the first months of 2020, the virus spread worldwide and its negative impact gained momentum. The Management Board considers this situation to be an event that does not result in corrections in the 2019 financial statements, but as an event after the balance sheet date requiring additional disclosures.

The Management Board shall take continuous action to protect against the effects of Covid 19. Educational activities are being carried out among crews, customers and suppliers to reduce the risk of Covid-19 spread.

At the moment, there has been no Covid-19 infection among the Group's employees. None of the employees are also quarantined.

The Management Board recognises the potential risks associated with the possible introduction of quarantine at individual group facilities or at significant suppliers. The introduction of such quarantine could disrupt the implementation of waste supplies to our branches and ultimately have a negative impact on the financial performance.

Although this situation continues to change at the time of the publication of this financial statements, the Management Board has not yet recorded a negative impact on the unit's sales or supply chain, but future effects cannot be predicted.

The Management Board continuously monitors the situation and its impact on the economy. It is ready to take action on an ongoing basis to mitigate any negative effects on the Group.

### Legal changes in waste management decisions

The conduct of business by the Issuer Group is strictly regulated by the relevant regulations and requires the obtaining of appropriate permits. The operation of individual waste recovery facilities and alternative fuel production facilities require the permits of marshals of individual provinces and the Old Towns of individual districts corresponding to the locations of the activities of the Issuer Group facilities. The Issuer confirms that for all plants belonging to the Group it meets the requirements imposed by the Act of 20 July 2018 amending the Waste Act and certain other laws (Journal of Laws). U. 2018 item 1592) and therefore submitted proposals to the competent authorities on the amendment of its waste management decisions, in accordance with the requirements of the aisle of the law, and none of the proceedings concerning the applications submitted concerning the revision of the waste management decision, which resulted in a negative decision being taken by the competent authority of the investigator, nor remained without recognition.

## **25. Statement by the Management Board regarding the corporate governance rules applied by the Group.**

### **25.1. A set of corporate governance policies to which the Group is subject and where the text of the policy set is publicly available.**

The Management Board of the Issuer shall endeavour to maintain the principles of corporate governance and, consequently, to ensure the best possible communication with investors.

In 2019, the Mo-BRUK S.A. Group and its bodies were subject to the corporate governance rules "Good Practices of Companies Listed on the WSE 2016", which were adopted by the WSE Council by Resolution No. 26/1413/2015 of the Stock Exchange Council of 13 October 2015 (późn.zm).

The consolidated text "Good Practices listed on the WSE 2016" is annexed to Resolution No. 26/1413/2015 of the Supervisory Board of the Warsaw Stock Exchange of 13 October 2015 on the adoption of changes to the "Good Practices of Companies Listed on the WSE 2016", which entered into force on 1 January 2016. The text of corporate governance policies is publicly available on the <https://www.gpw.pl/dobre-praktyki> website. The Mo-BRUK Group adhered to most of the corporate governance rules contained in the "Good Practices of Companies Listed on the WSE 2016". An indication of the extent to which the Group departed from the good practices provisions of Companies listed on the WSE, together with an indication of these provisions and an explanation of the reason for the withdrawal, is contained in a separate statement (Annex 1) which forms an integral part of this Report.

## 25.2. Description of the main characteristics of the company's internal control and risk management systems for the financial statements and consolidated accounts process.

The Management Board of the Issuer is responsible for the internal control system and the effectiveness of its functioning. The internal control and risk management system for the financial statements process shall be implemented through the procedures in force in GK Mo-BRUK S.A. for the preparation and approval of financial statements. It enables you to conduct ongoing monitoring of the condition of commitments, control the level of costs and results achieved. The financial data underlying the financial statements and periodic reports comes from the SAP Business One accounting and financial system, in which the documents are recorded in accordance with the Company's accounting policy based on International Accounting Standards.

The financial statements are prepared by the financial and accounting services under the supervision of the Issuer's Chief Accounting Officer and subsequently verified by the Financial Director and their final content is approved by the Management Board.

The financial statements approved by the Management Board shall be audited by an auditor, elected by the Supervisory Board of the Company. Subsequently, in accordance with § 23 para.2(a) and (b) of the Basic Regulation, the commission shall, in accordance with the procedure referred to in Article 18(2), adopt measures a) The Supervisory Board of the Company's Articles of Association – following the recommendation of the Audit Committee, annually evaluates the audited financial statements of the Company and the Capital Group in terms of their compliance with the books and documents, as well as with the facts, and informs shareholders in its annual report about the results of this evaluation.

The issuer shall keep track of the changes required by the rules and regulations relating to the requirements of stock market reporting and shall prepare to implement them in good time.

## 25.3. Indication of shareholders holding directly or indirectly significant holdings, together with an indication of the number of shares held by those entities, their percentage share capital, the number of votes resulting from them and their percentage share of the total number of votes at the general meeting of the company.

The table below shows the ownership structure of the share capital of Mo-BRUK S.A., as the Issuer knows, at the date of transmission of the annual report for 2019.

Shareholder	Number of shares	Share of capital	Number of votes at the GM	Participation in votes at the GM	Participation in the total number of votes
VALUE FIZ	1,511,000 <sup>1)</sup>	42,29%	1 511 000	35,84%	35,24%
Józef Mokrzycki	704,479 <sup>2)</sup>	19,72%	1 407 121	33,38%	32,82%
Elżbieta Mokrzycka	370.833	10,38%	370 833	8,80%	8,65%
Wiktor Mokrzycki	285.701	8,00%	285 701	6,78%	6,66%
Anna Mokrzycka - Nowak	285.701	8,00%	285 701	6,78%	6,66%
Tobiasz Mokrzycki	285.701	8,00%	285 701	6,78%	6,66%
Other	129,470 <sup>1)3)</sup>	3,62%	69 470	1,65%	3,30%
<b>Total:</b>	<b>3.572.885</b>	<b>100%</b>	<b>4.215.527</b>	<b>100%</b>	<b>100%</b>

<sup>1)</sup> own calculations, on the basis of the information held by the Issuer.

<sup>2)</sup> including series A shares in the number 702,642 favoured on voting rights, per share are 2 votes.

<sup>3)</sup> including 60,000 shares without voting rights acquired by the Issuer as part of the purchase of own shares

## **25.4. Indication of the holders of any securities which give special control powers, together with a description of those rights.**

The Chairman of the Board of Mo-BRUK S.A. holds 702,642 pcs. Series A shares, these shares being preferred shares in favour of voting and for each action there are 2 (two) votes at the General Meeting of the Company in accordance with § 7 para. 2 of the Company's Articles of Association.

## **25.5. Indication of any restrictions on the exercise of voting rights, such as limiting the exercise of voting rights by holders of a certain part or number of votes, time limits for the exercise of voting rights or records according to which, in cooperation with the company, capital rights relating to securities are separated from the holding of securities**

The Issuer's statutes do not provide for restrictions on the exercise of voting rights or records according to which, in cooperation with the Company, capital rights related to securities would be separated from the holding of securities. Restrictions on the exercise of voting rights may arise in the case of the Issuer only from generally applicable laws.

As a result of the purchase of own shares in July 2019, the Issuer acquired 60,000 own shares representing 1.66% of the Issuer's share capital and 1.68% of the total number of votes, provided that the Issuer is not entitled to exercise voting rights from its own shares. Own shares acquired by the Issuer are intended for redemption.

## **25.6. Indication of any restrictions regarding the transfer of ownership of the Issuer's securities.**

The transfer of ownership of securities issued by the Company is not subject to restrictions.

## **25.7. Description of the rules on the appointment and dismissal of managers and their rights, in particular the right to decide whether or not to issue shares.**

In accordance with § 12 of the Issuer's Statute, the Management Board consists of one to five members, appointed and dismissed by the Supervisory Board. The term of office of the members of the Management Board shall be determined by the Supervisory Board, but this period may not be more than 5 years. The seats of the members of the Management Board shall expire on the date of the General Meeting approving the financial statements for the last full financial year of the function of a member of the Management Board. Members of the Management Board may be appointed for subsequent terms of office. On 25 February 2020, the Supervisory Board adopted a resolution on the appointment of the President and Vice-Presidents of the Management Board of the Company in an unchanged composition for a new joint term, which will begin on 1 May 2020 and will last for a period of 5 years.

In accordance with § 13 of the Company's Articles of Association and § 6 of the Regulations of the Management Board, the Management Board under the chairmanship of the President manages the Company and represents it externally. The Chairman of the Management Board directs the work of the Management Board and is responsible for the proper organization of the work of the Management Board, and in addition implements resolutions of the Management Board and other bodies of the Company. The Chairman of the Management Board shall act as the head of the workplace. In the absence of the Chairman of the Management Board, his position shall be performed by the Vice-President of the Management Board or by the person appropriately empowered by the Chairman of the Management Board, and in the event of the death of the Chairman of the Management Board, his duties, until the appointment of a new person by the Supervisory Board, shall be the oldest Vice-President of the Management Board.

In accordance with § 16 of the Company's Articles of Association in the case of a multi-person Management Board, the Chairman of the Management Board is entitled to make declarations of intent and signing on behalf of the Company, and the members of the Management Board acting other than the Chairman of the Management Board, functions on the Management Board of the Company, acting jointly (two persons).

On June 24, 2019, the Ordinary General Meeting of Shareholders adopted Resolution No. 20/2019 on the authorisation of the Management Board to acquire on behalf and on behalf of the Company own shares in a total number of not more than 450,000 shares, i.e. 12.5% of the Company's share capital, with a total nominal value of not more than PLN 4,500,000 by 31 December 2020, but no longer than until the funds allocated to the acquisition of own shares are exhausted.

The subject of the acquisition may be the shares fully covered.

The purchase price cannot be less than 80 PLN and not more than 200 PLN per share.

The total purchase price of own shares, plus the cost of acquiring them, may not be higher than the reserve capital created for that purpose during the period of authorisation granted.

The own shares acquired by the Company may be used for redemption.

## **25.8. Description of the rules for changing the statutes or contract of the Issuer's company.**

The Statute of Mo-BRUK S.A. in the version currently in force does not have provisions concerning the amendment of the Statute different from the provisions of the Commercial Companies Code.

In accordance with Article 2(10) of the basic Regulation, 430 of the Commercial Companies Code, the amendment of the Statute requires a resolution of the General Meeting and registration. The resolution of the General Meeting on amendments to the Statute requires a majority of 3/4 of the votes cast - Article 415 of the Commercial Companies Code.

**25.9. The manner in which the general meeting and its essential powers and the description of shareholder rights and the manner in which they are exercised, in particular the rules of procedure of the general meeting, if such rules of procedure have been adopted, unless the information in this regard is expressly derived from the provisions of law.**

The general meetings of Mo-BRUK S.A. take place on the terms described in the Commercial Company Code., Statute and Regulations of the General Meeting and do not deviate from the rules that other companies listed on the WSE apply. In particular, in addition to shareholders, members of the Management Board and the Supervisory Board of the Issuer shall participate in the GM, as well as at the invitation of the convening body of the OGM, other persons, in particular statutory auditors and experts, may participate in the meetings or parts thereof, in particular statutory auditors and experts, if their participation is appropriate due to the need to provide the participants of the Meeting with opinions on the issues considered. Such persons may also be invited ad hoc by the Management Board and the President and may participate only in part of the deliberations of the Assembly.

The General Meetings shall be convened in the manner and in accordance with the rules of general law. This means that the announcement of the convening of the GM is published on the website of Mo-BRUK S.A. ([www.mobruk.pl](http://www.mobruk.pl)) no later than 26 days before the date of the general meeting. In addition, in accordance with § 19 of the Regulation on current and periodic information, the Company provides in the form of a current report all information related to the convening of the GM, required by this provision.

Shareholders holding shares of Mo-BRUK S.A. in 16. the day before the deadline of the GM, which is the day of registration of participation in the GM, the so-called record date. The basis for the shareholder's admission to participate in the General Stock Shall be the inclusion of the shareholder in the list made available to the Issuer by the National Securities Depository S.A. no later than one week before the date of the GM.

General Meetings are held at the issuer's headquarters or in another locality in Poland, and the organization and conduct of Ordinary and Extraordinary General Meetings is determined by the Rules of the General Meeting of the Issuer.

In accordance with § 33 of the Issuer's Statute, the subject of the deliberations of the Ordinary General Meeting is:

- (a) consideration and approval of the Management Board's report on the Company's activities and the financial statements for the previous financial year,
- (b) the adoption of a resolution on the distribution of profits or the coverage of losses,
- (c) to grant discharge to the members of the organs of the company in the performance of their duties,

In addition, the Resolutions of the General Meeting require:

- (a) amendment to the Company's Articles of Association,
- (b) the merger with another Company and the transformation of the Company,
- (c) dissolution and liquidation of the Company,
- (d) issuing convertible bonds and with the right of priority,
- (e) the disposal and lease of the Company's undertaking or its organised part and the establishment of a

- limited right in rem therein,
- (f) any provision concerning claims for compensation for damage caused by the company's establishment or management or supervision,
- (g) the appointment and dismissal of members of the Supervisory Board; a member of the Supervisory Board may be dismissed at any time,
- (h) the conclusion by the Company of a loan, loan, guarantee or other similar contract with a member of the Management Board, the Supervisory Board, proxy, liquidator or to any of those persons.

Where the General Meeting adopts a resolution to allocate part of the profit or all profit for payment to shareholders, the resolution shall specify the date by which the list of shareholders entitled to dividends for the financial year (dividend date) is determined and indicates the date of payment of the dividend, which should be so determined that the time between them is not more than 15 working days, unless otherwise provided by the resolution of the General Meeting. The establishment of a longer period between those time limits requires justification.

In addition, the General Meeting shall also adopt resolutions on the increase or reduction of share capital, including:

- (a) the increase in share capital from the Company's funds,
- (b) authorising the Management Board of the Company to make one or more consecutive increases in share capital under the conditions laid down by resolutions of the General Meeting (target capital),
- (c) a conditional increase in share capital in order to grant the right to subscribe to shares by bondholders of convertible bonds or with the right of priority, or to grant the right to shares to employees, members of the Management Board or the Supervisory Board in exchange for non-monetary contributions constituting claims which they have under the acquired rights to share in the profits of a company or subsidiary.

In accordance with the Rules of procedure of the Mo-BRUK S.A. General Meeting, shareholders shall have in particular the following rights:

- a) Right to participate in the General Meeting
- b) The right to vote at the General Meeting in person or by representatives (other representatives).
- (c) The right to stand as President of the General Meeting.
- (d) Each shareholder shall have the right to submit proposals for amendments and additions to draft resolutions covered by the agenda of the General Meeting until the discussion on the item on the agenda covering the draft resolution to which such proposal relates has been closed.

**25.10. Description of the activities of the management, supervisory or administrative bodies of the company and their committees, together with an indication of the composition and changes which have occurred therein during the last financial year.**

**Board**

In accordance with § 12 of the Company's Articles of Association, the Management Board consists of one to five members, appointed and dismissed by the Supervisory Board. The term of office of the members of the Management Board shall be determined by the Supervisory Board, but this period may not be more than 5 years. The seats of the members of the Management Board shall expire on the date of the General Meeting approving the financial statements for the last full financial year of the function of a member of the Management Board.

In accordance with § 13 of the Company's Articles of Association and § 6 of the Regulations of the Management Board, the Management Board under the chairmanship of the President manages the Company and represents it externally. The Chairman of the Management Board directs the work of the Management Board and is responsible for the proper organization of the work of the Management Board, and in addition implements resolutions of the Management Board and other bodies of the Company. The Chairman of the Management Board shall act as the head of the workplace.

The scope of the Management Board includes all matters related to the management of the Company not reserved to the competence of the General Meeting or the Supervisory Board.

In accordance with § 16 of the Company's Articles of Association in the case of a multi-person Management Board, the Chairman of the Management Board is entitled to make declarations of intent and signing on behalf of the Company, and the members of the Management Board acting other than the Chairman of the Management Board, functions on the Management Board of the Company, acting jointly (two persons).

In addition, in accordance with the provisions of the Regulations of the Management Board, the Management Board adopts resolutions on matters provided for by law and the Statute, provided that resolutions, the adoption of which requires the consent of the General Meeting of the Company or the Supervisory Board of the Company, may be taken after obtaining such consent.

The members of the Management Board supervise and are responsible for the work of the Company's divisions and organizational units, subordinated to them in accordance with the established division of work, and coordinate the work of these units with all the work of the Company.

During the reporting period (and until the date of the Report), the composition of the Management Board of the Issuer has not changed and is as follows:

Józef Mokrzycki	Chairman of the Board
Elżbieta Mokrzycka	Vice-President of the Board
Anna Mokrzycka-Nowak	Vice President of the Board
Wiktoria Mokrzycki	Vice President of the Board
Tobiasz Mokrzycki	Vice President of the Board

On 25 February 2020, the N-Adjutor Council adopted a resolution on the appointment of the President and Vice-Presidents of the Management Board of the Company in an unchanged composition for a new joint term, which will begin on 1 May 2020 and will last for a period of 5 years.

## **Supervisory Board**

In accordance with § 19 of the Company's Articles of Association and § 2 of the Rules of procedure of the Supervisory Board, the Supervisory Board consists of 5 members, including the Chairman of the Board, appointed by the General Meeting for a period of 2 years' term. The seats of the members of the Council shall expire on the date of the General Meeting approving the accounts for the last year of their office.

The work of the Supervisory Board is headed by the Chairman of the Board and, in his absence, the oldest member of the Board. The members of the Supervisory Board shall elect the Chairman of the Board of Supervisors from among themselves at the first meeting of the Supervisory Board.

Supervisory Board meetings shall take place where necessary, but at least three times in the financial year. The right to convene a meeting of the Supervisory Board shall be vested in the Chairman on his own initiative, at the request of the Management Board or at the request of any of the members of the Board, and in which case the meeting should take place within two weeks of receipt of the request.

The Supervisory Board may adopt resolutions in writing or by means of direct distance communication. For the validity of the resolutions of the Supervisory Board, an invitation to the meeting of all members of the Board and the presence at the Meeting of the Board of at least half of its members shall be required. Resolutions of the Supervisory Board shall be adopted by a simple majority of the votes cast. If the vote remains unresolved, the vote shall be decided by the Chairman of the Board and, in his absence, the voice of the oldest member of the Supervisory Board.

In accordance with § 23 of the Company's Articles of Association, the Supervisory Board exercises constant supervision of the Company's activities in all areas of its activities.

Within the framework of its competence, the Supervisory Board is obliged to consult the Audit Committee on all matters relating to the Company's finances, internal control and risk management, in addition, the Audit Committee shall recommend to the Supervisory Board the entity empowered to audit the financial statements to carry out the audit operations of the entity.

The members of the Supervisory Board shall perform their functions for payment or free of charge under the rules laid down by the resolution of the General Meeting.

Until May 31, 2019, the Supervisory Board of the Issuer was composed of:

Kazimierz Janik	Chairman 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 Turzański	Member of the Supervisory Board

On May 29, 2019, Mr. Adam Buchajski resigned as a member of the Supervisory Board on May 31, 2019. The reasons for the resignation have not been given.

On June 24, 2019, the Ordinary General Meeting of Mo-BRUK S.A. acting on the basis of Article 385 § 1 k. s. h. and § 33. paragraph. 1a paragraph g of the Company's Articles of Association adopted resolution No. 22/2019 on the election of Mr. Łukasz Boronia as a Member of the Supervisory Board.

On December 12, 2019, Mr. Łukasz Boroń resigned as a member of the Supervisory Board. Important personal reasons were given as the reason for the resignation.

On December 13, 2019, the Supervisory Board co-opted Mr. Norbert Nowak to his composition.

On March 3, 2020, the Extraordinary General Meeting of Shareholders of Mo-BRUK S.A., at the meeting, pursuant to §19 of the Company's Articles of Association, resolution No. 4/2020 on the appointment of Mr. Piotr Skrzyński as a member of the Supervisory Board was held.

At the time of the appointment of Mr. Piotr Skrzyński, Mr. Norbert Nowak ceased to serve as co-opted member of the Supervisory Board.

At the date of this Report, the Supervisory Board shall operate as follows:

Kazimierz Janik	Chairman of the Supervisory Board
Jan Basta	Member of the Supervisory Board
Piotr Pietrzak	Member of the Supervisory Board
Piotr Skrzyński	Member of the Supervisory Board
Konrad Turzański	Member of the Supervisory Board

## **Audit Committee**

The Audit Committee of the Issuer operates on the basis of the Act of 11 May 2017 on statutory auditors, audit firms and public supervision (Journal of Laws 2017, item 1089).

The Audit Committee shall consist of 3 (three) Members appointed by the Supervisory Board from among its Members. At least one Member of the Audit Committee shall have knowledge and skills in accounting or auditing of financial statements.

The term of office of the Audit Committee shall be common to its Members and shall coincide with the term of office of the Supervisory Board.

The purpose of the functioning of the Audit Committee is to advise the Supervisory Board on matters relating to individual and consolidated financial reporting, internal control and risk management and cooperation with statutory auditors.

The audit committee's tasks include:

1. Monitoring of the financial reporting process,
2. Monitoring the effectiveness of internal control and risk management and audit systems, including financial reporting,

3. Monitoring the performance of audit activities (in particular the audit firm conducting an audit, taking into account any conclusions and findings of the Audit Oversight Commission resulting from an audit carried out by an audit firm),
4. Controlling and monitoring the independence of the statutory auditor and audit firm, in particular where services other than the audit are provided to the Company,
5. Informing the Supervisory Board of the results of the study and explaining how this study contributed to the reliability of financial reporting,
6. Assessing the statutory auditor's independence and consenting to the provision of permitted non-audit services,
7. Development of a policy of selecting an audit firm carrying out audits,
8. Development of the audit firm's performance policy, by entities associated with that audit firm and by a member of the network of the audit firm of permitted non-audit services,
9. Defining the procedure for the selection of an audit firm by the Company,
10. Providing to the Supervisory Board a recommendation on the selection of an audit firm authorised to audit Mo-BRUK S.A.'s financial statements and the Mo-BRUK Group in accordance with the policies referred to in points 7 and 8,
11. The obtaining from the audit firm of the additional report referred to in Article 10(1) of Regulation (EC) No 1782/2003 shall be as certain to be accompanied by a report on the implementation of this Regulation. In accordance with Article 11 of Regulation (EU) No 537/2014 of the European Parliament and of the Council on specific requirements for statutory audits of public-interest audits, repealing Commission Decision 2005/909/EC,
12. Making recommendations to ensure the integrity of the financial reporting process in the Company,

Until 31 May 2019, the Audit Committee was composed of:

Piotr Pietrzak	Chairman of the Audit Committee,
Adam Buchajski	Member of the Audit Committee,
Kazimierz Janik	Member of the Audit Committee.

After the resignation of Mr Adam Buchajski as a Member of the Supervisory Board and thus a Member of the Audit Committee, on 4 October 2019 the Supervisory Board elected Mr. Łukasz Boroń to the Audit Committee.

Following the resignation of Mr. Łukasz Boronia from a Member of the Supervisory Board, on 20 December 2019 the Council adopted a resolution on the election of Mr. Jan Basta as a Member of the Audit Committee.

At the date of this Report, the composition of the Audit Committee shall be composed of the following:

Piotr Pietrzak	Chairman of the Audit Committee,
Jan Basta	Member of the Audit Committee,
Kazimierz Janik	Member of the Audit Committee.

## 25.11. Details of the Audit Committee and the selection and work of the audit firm.

### Persons meeting the statutory criteria for independence

All members of the Audit Committee, i.e. Piotr Pietrzak, Kazimierz Janik and Jan Basta, meet the independence criteria laid down for an independent member of the Audit Committee referred to in the Audit Act, audit firms and public oversight of 11 May 2017 (Journal of Justice of 2017, item 1089) and § 2 para. 5 of the Regulations of the Audit Committee of Mo-BRUK S.A.

### Persons with knowledge and skills in accounting or auditing financial statements, indicating how they are acquired

Chairman Piotr Pietrzak has knowledge and skills in accounting or auditing financial statements, which results from his education, experience and long-term professional practice.

Mr. Piotr Pietrzak is a managing partner in the Star Finder seed capital fund, whose main investment area is engineering technology, natural sciences and information technology projects. He has many years of experience in venture capital investments, corporate finance consultancy, in particular in M&A projects. He worked with Polish and international investors. Mr. Piotr Pietrzak graduated from the Warsaw School of Economics in 2004 with a master's degree in Management and Finance and Banking. He was also a scholarship holder at the Universiteit van Tilburg in the Netherlands in the field of international finance.

### Persons with knowledge and skills in the industry in which the Issuer operates, indicating how they are acquired

Mr. Piotr Pietrzak, Mr. Kazimierz Janik and Mr. Jan Basta have the knowledge and skills of the industry in which the Issuer operates, which they acquired during their professional work and as a member of the Supervisory Board. Detailed information on the qualifications and experience of these members of the Audit Committee are available on the Issuer's website ([www.mobruk.pl](http://www.mobruk.pl)).

### Information on whether the Issuer was provided by an audit firm investigating its financial statements allowed services not audited and whether, therefore, the independence of that audit firm was assessed and consented to the provision of those services.

For the Issuer were provided permitted services not audited by an audit firm investigating the financial statements of Mo-BRUK S.A., i.e. Mazars Audit Sp. z o.o. Therefore, the Audit Committee assessed the independence of the audit firm and agreed to provide the following permitted non-audit services:

- half-yearly audits of consolidated and separate financial statements for the periods from 1 January 2017 to 30 June 2017, from 1 January 2018 to 30 June 2018 and from 1 January 2019 to 30 June 2019.

### The main assumptions of the audit firm selection policy developed for the audit and the audit firm's provision of the audit, by entities associated with that audit firm and by a member of the audit firm's network of permitted non-audit services

The Issuer shall select an audit firm examining its financial statements permitted services not audited on the basis of the resolution "Policy and Procedures for the selection of an audit firm for the auditing of the financial statements of Mo-BRUK S.A. and Mo-BRUK S.A Group adopted by the Audit Committee".

The rules followed by the Issuer when selecting an auditor/audit firm are as follows:

- 1.The Issuer invites any firm entitled to submit tenders for the provision of the statutory audit service, provided that:
  - this does not affect the provisions of Article 10(1) of Directive 91/414/ Whereas Article 17 (1) of Regulation (EEC) No 2 3 of Regulation No 537/2014;
  - the organisation of the tendering procedure does not exclude from participation in the selection procedure companies which have received less than 15% of their total research remuneration from public interest entities in the European Union country concerned in the previous calendar year included in the list of audit firms referred to in Article 10( 1) (a) and (b) of Directive 91/414/EEC; Article 91 of the Act.
- 2.The issuer may, in the course of the selection procedure, conduct direct negotiations with the tenderers concerned
- 3.The issuer shall carry out an assessment of the tenders submitted by the entities authorised in accordance with the selection criteria set out in the tender dossier and shall prepare a report containing the conclusions of the selection procedure and shall then submit that report for approval to the Audit Committee.
- 4.The Audit Committee shall provide the Supervisory Board with a recommendation for the appointment of an authorised entity.

The recommendation should include:

- an indication of the entity or entities to which the statutory audit is proposed;
  - a legitimate preference for the selection of the entity to which the examination is proposed;
  - justification for the recommendation made;
  - a statement that the recommendation is free from the influence of third parties;
  - a statement that the Issuer has not concluded agreements containing the clauses referred to in Article 10(1) of Regulation (EC) No 1782/2003; Whereas article 66 (2) of the Treaty provides that the community Article 5a of the Accounting Act of 29 September 1994;
  - where the choice does not concern the extension of the audit agreement, it should contain at least two choices
- 5.Na on the basis of the recommendation made by the Audit Committee, the Supervisory Board shall select the entity empowered to review and audit the separate and consolidated accounts.
  - 6.The Supervisory Board, when making a choice, draws attention to the experience of the audit team in the audit of the financial statements of companies, including companies listed on the Stock Exchange, as well as financial competences and criteria.
  7. The selection decision shall be taken taking into account the principles of impartiality and independence of the audit firm and an analysis of the work carried out by it in the Company, going

beyond the scope of the audit of the financial statements, in order to avoid a conflict of interest.

Information on whether the recommendation regarding the selection of the audit firm to carry out the audit met the applicable conditions and, where the selection of the audit firm did not concern the extension of the audit agreement, whether this recommendation was drawn up following a selection procedure organized by the Issuer meeting the applicable criteria.

The recommendation of the Audit Committee regarding the selection of the audit firm for the examination met the applicable conditions and was drawn up following a selection procedure organised by the Issuer meeting the applicable criteria.

#### Number of audit committee meetings held

The Audit Committee held three meetings in 2019 on 17 May 2019, 15 July 2019 and 4 October 2019.

### **26. Information on the date of conclusion by the issuer of the contract, with the entity authorized to audit the financial statements and the period for which the contract was concluded.**

On June 20, 2017, the Issuer concluded an agreement with Mazars Audit Sp. z o.o. with its registered office in Warsaw for:

- half-yearly audits of consolidated and separate financial statements for the periods from 1 January 2017 to 30 June 2017, from 1 January 2018 to 30 June 2018 and from 1 January 2019 to 30 June 2019.
- audit of annual consolidated and separate accounts for the periods from 1 January 2017 to 31 December 2017, from 1 January 2018 to 31 December 2018 and from 1 January 2019 to 31 December 2019.

The remuneration of the entity entitled to audit the financial statements is set out in note No 36.1. "*Salaries of entities entitled to audit financial statements*" in the Financial Statements of the Mo-BRUK S.A. Capital Group for 2019.

### **27. A statement from the Management Board or the manager stating that the entity authorised to audit the financial statements, reviewing or examining the annual accounts, has been selected in accordance with the applicable professional regulations and standards.**

The Management Board of Mo-BRUK S.A. declares that **Mazars Audit Limited Liability Company**, with its registered office in Warsaw (zip code 00-549), ul. Beauty 18, entered on the list of the National Council of Statutory Auditors under the registration number 186, (selected to examine the annual accounts for all companies of the Capital Group for 2019 and consolidated report for 2019) - the entity entitled to audit the financial statements, the auditing of the annual consolidated accounts and the examination of the parent's annual accounts was selected in accordance with the law and that that entity and the statutory auditors carrying out that review fulfilled the conditions for an impartial and independent report on the annual audit of the consolidated and annual accounts, in accordance with the applicable professional

regulations and standards.

**28. Information from the Management Board, drawn up on the basis of a statement from the supervisory board on the selection of the audit firm conducting an audit of the annual consolidated financial statements, in accordance with the regulations, including the selection and selection procedure of the audit firm.**

Acting pursuant to § 71 para. 1 point 7) of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State and a statement by the Supervisory Board of Mo-BRUK S.A. on the selection of an audit firm conducting an audit firm carrying out an audit firm of the annual consolidated financial statements in accordance with the provisions, including on the selection and procedure for the selection of an audit firm , The Management Board of Mo-BRUK S.A. informs that:

- (a) the audit firm and the members of the auditing team have fulfilled the conditions for drawing up an impartial and independent audit report on the annual consolidated financial statements in accordance with the applicable rules, standards of professional practice and the principles of professional ethics,
- (b) the applicable rules relating to the turnover of the audit firm and the key auditor and the mandatory grace periods are respected,
- c) Mo-BRUK S.A. has a policy on the selection of an audit firm and a policy on the provision to Mo-BRUK S.A. by an audit firm, an entity affiliated with an audit firm or a member of its network of additional non-audit services, including services conditionally exempt from the prohibition on the provision by an audit firm.

**29. The Statement by the Management Board that, to the best of their knowledge, the annual consolidated financial statements and comparable data drawn up with the relevant accounting rules and that they reflect in a true, fair and clear manner the financial and financial situation of the group and its financial performance and that the management's report on the company's activities contains a true picture of the group's development and achievements and the situation of the group, including a description of the underlying risks and threats.**

The Management Board of Mo-BRUK S.A. declares that, to its best of knowledge, the consolidated financial statements for the financial year 2019 and comparable data were prepared in accordance with the applicable accounting rules and that they reflect in a true, fair and clear financial and financial situation, as well as the financial result of the Mo-BRUK S.A. Capital Group.

At the same time, the Management Board declares that the Management Board's Report on Activities contains a true picture of the development and achievements and situation of the Mo-BRUK S.A. Capital Group, including a description of the underlying risks and risks.

## Annex 1

### **Statement on the use of corporate governance in the Mo-BRUK S.A. Capital Group in 2019, annexed to the Management Report of the Activities of the Mo-BRUK S.A. Capital Group for 2019.**

The issuer whose shares are admitted to trading on the Warsaw Stock Exchange S.A. is subject to corporate governance rules adopted in October 2015 by the Exchange Board for public limited liability companies that are issuers of shares, convertible bonds or bonds with priority rights, which are admitted to trading on the stock market under the name "Good Practices of Companies Listed on the WSE 2016" in force since January 1, 2016. Corporate governance rules in the form of "Good Practices of WSE Listed Companies" are annexed to Resolution No 12/1170/2007 of the Stock Exchange Council of 4 July 2007. On 19 May 2010, the Warsaw Stock Exchange Board adopted amendments to the above mentioned the document, which took effect from 1 July 2010 (with the exception of the principle set out in Part IV(10) of the Good Practices of WSE-listed companies, which should apply no later than 1 January 2012). Subsequent amendments the Board of Exchange adopted on 31 August and 19 October 2011, mainly related to elements falling within the scope of information order and postponed the entry into force of the principle referred to in the preceding sentence to 1 January 2013. These amendments were introduced by Resolution No 19/1307/2012 of 21 November 2012, which entered into force from 1 January 2013. The new rules entered into force on January 1, 2016. The current content of the document is available on the official website of the Warsaw Stock Exchange dedicated to this subject (<https://www.gpw.pl/dobre-praktyki>).

The Issuer's Group complies with the corporate governance rules contained in the collection "Good Practices of Companies Listed on the WSE 2016" annexed to Resolution No. 26/1413/2015 of the Supervisory Board of the Exchange of 13 October 2015, with the following reservations:

#### **Part I. INFORMATION POLICY AND COMMUNICATION WITH INVESTORS**

**I.Z.1.16.** - information on the planned transmission of the general meeting's deliberations no later than 7 days before the date of the general meeting.

The Company does not apply this rule. The costs of broadcasting the General Meeting are too high and disproportionate to the potential benefits to shareholders.

**I.Z.1.20.** – a record of the proceedings of the general meeting, in audio or video form.

As regards the application of the corporate governance rule indicated in I.Z.1.20. "Principles of Good

Practice of Companies Listed on the WSE 2016", according to the Management Board of the Issuer, posting audio recordings from the proceedings of the General Meeting does not lead to a significant increase in access of shareholders to information about the Company, and may even introduce significant confusion regarding the proper interpretation of the discussions at the AGM, therefore the principle is not applied. According to the Management Board of the Issuer, there are many technical and legal factors which may affect the proper conduct of the general meeting and, therefore, the proper application of the principle in this respect. In addition, according to the Management Board of the Issuer, the rules of participation in the General Meetings in force in the Company allow the exercise of the rights arising from the shares and secure the interests of all shareholders of the Company. The issuer's core activities are concentrated mainly in the waste industry, which at the moment is characterised by a large share of the grey area and the use of illegal practices, which is why making public discussions at the AGM, according to the Issuer's Management Board, can lead to misuse of information by rogue participants in the waste market. In order to respect the principle of equal access to information, the Issuer shall immediately publish the full text of the resolutions adopted by the General Meeting of Shareholders on its website.

The Issuer indicates that in the event of interest of investors, the audio entry will be published on the Company's website.

## **Part II. MANAGEMENT BOARD AND SUPERVISORY BOARD**

**II . Z.2. – The seating of the members of the board of directors of companies** outside the company's capital group requires the consent of the supervisory board.

The Company does not apply this rule. The current Regulations of the Company's Supervisory Board do not contain an adequate provision regarding the application of the above rule.

**II . Z.10.4. – In addition to the activities resulting from the law, once a year the supervisory board shall draw up and submit to the ordinary general meeting (...) an assessment of the rationality of the company's policy as referred to** in Recommendation I.R.2, or information on the absence of such a policy.

The Company does not apply this rule. The Company does not carry out a substantial sponsorship, charitable or other activity of a similar nature and, due to the incidental nature of such activities, has no policy in this regard.

## **Part III. SYSTEMS AND INTERNAL FUNCTIONS**

**lii. Z.2. – Subject to Rule III. Z.3, persons responsible for risk management, internal audit and compliance**

shall be directly subject to the Chairman or other member of the management board and shall be given the opportunity to report directly to the supervisory board or audit committee.

The Company does not apply this rule. There is no separate cell responsible for risk management, internal audit and compliance in the Company's structure. Therefore, at the moment, there is no person responsible for the management of these areas, directly subject to the Chairman of the Management Board or another member of the Management Board, and who has the opportunity to report directly to the Supervisory Board or the Audit Committee.

**iii. Z.3 - The principles of independence set out in generally recognised international standards of internal audit practice shall apply to the person in charge of the internal audit function and other persons responsible for carrying out its tasks.**

The Company does not apply this rule. There is no separate internal audit cell in the Company's structure, therefore, at the moment, there is no person in charge of the internal audit function and other persons responsible for the internal audit function, for whom the principles of independence laid down in generally recognised international standards of professional internal audit practice apply.

**iii. Z.4. - At least once a year, the person responsible for the internal audit (in the case of the separation of such functions in the company) and the management board shall present to the supervisory board their own assessment of the effectiveness of the systems and functions referred to in Rule III. Z.1, together with the relevant report.**

The Company does not apply this rule. There is no separate internal audit cell in the Company's structure, therefore, at the moment, there is no person in charge of the internal audit function and other persons responsible for the internal audit function. The Management Board of the Company shall provide the Supervisory Board with its own assessment of the effectiveness of the systems and functions referred to in Rule III. Z.1. together with the relevant report.

## **Part IV. GENERAL MEETING AND SHAREHOLDER RELATIONS**

**iv. R.2 - Where justified by the shareholding structure or the expectations of shareholders reported to the company, provided that the company is able to provide the technical infrastructure necessary for the smooth conduct of the general meeting by electronic means, it should enable shareholders to participate in the general meeting by such means, in particular by:**

- (1) the transmission of the general meeting's deliberations in real time,
- (2) real-time bilateral communication in which shareholders may speak during the general meeting,

staying in a place other than the place of the general meeting,

3) exercise, in person or by proxy, voting rights in the course of the general meeting.

The Company does not follow this recommendation due to the high cost of using transmission technology and bilateral communication with shareholders. According to the Management Board of the Issuer, the absence of such a means of communication with investors does not significantly limit the conduct of a reliable information policy.

**iv. Z.2.** – Where justified by the shareholding structure of the company, the company shall ensure that the general meeting is transmitted in real time.

The Company does not apply this rule. The Company does not have adequate technical infrastructure to: broadcast the general meeting's deliberations in real time. According to the Management Board of the Issuer, the absence of such a means of communication with investors does not significantly limit the conduct of a reliable information policy. The use of broadcast technology is costly.

**iv. Z.3.** – Media representatives are allowed to attend general meetings.

The Company does not apply this rule. The General Meetings of the Issuer shall be attended by persons entitled and serving the General Meeting. The issuer sees no need to introduce additional obligations to shareholders regarding the special possible presence of media representatives at the General Meetings. In case of questions regarding general meetings addressed to the Company by media representatives, the Company shall immediately provide appropriate answers.

## **Part VI. Salary**

**Vi. R.1.** - **The remuneration of the members of the** company's bodies and key managers should be based on the remuneration policy adopted.

Formally, the Issuer did not apply this rule in 2019. On 3 March 2020, the Extraordinary General Meeting of Mo-BRUK S.A., acting on the basis of Art. 90 d of the Act of 29 July 2005 on the public offer and conditions for the introduction of financial instruments into an organised trading venue and on public companies (i.e. Journal of Laws of 2019, item 623 as amended), adopted Resolution No 5/2020 on the adoption of the remuneration policy of the members and the Supervisory Board of Mo-BRUK.

**Vi. R.2.** - Remuneration policy should be closely linked to the company's strategy, short and long-term objectives, long-term interests and results, and should take into account solutions to avoid discrimination on any grounds.

The recommendation was not applied in 2019 because the Company did not have a detailed remuneration policy. On 3 March 2020, the Extraordinary General Meeting of Mo-BRUK S.A., Acting on the basis of Article 90 (d) of the Act of 29 July 2005 on the public offering and conditions for the introduction of financial instruments into an organised trading venue and on public companies (i.e. Journal of Laws of 2019, item 623 as amended), adopted Resolution No 5/2020 on the adoption of the remuneration policy of members of the Management Board and the Supervisory Board of Mo-BRUK.

**Vi. R.3.** - If there is a remuneration committee on the supervisory board, Rule II shall apply to its functioning. Z.7.

This recommendation does not apply to the Group Companies, as there is no remuneration committee in the Group Companies.

**Vi. Z.4.** – 'The Company shall, in its activity report, present a remuneration policy report containing at least:

- (1) general information on the company's remuneration scheme,
- 2) information on the conditions and amount of remuneration of each board member, broken down by permanent and variable remuneration components, indicating the key parameters for determining variable remuneration components and the rules for the payment of severance payments and other payments for termination of employment, order or other legal relationship of a similar nature – separately for the company and each entity forming part of the group,
- (3) information on the remuneration of individual board members and key managers of non-financial remuneration components,
- (4) an indication of the material changes that have occurred in the remuneration policy during the last financial year or information that they are not there,
- (5) an assessment of the functioning of remuneration policy from the point of view of achieving its objectives, in particular the long-term increase in shareholder value and the stability of the company's functioning.

The group did not apply this principle in 2019 because it did not have a detailed remuneration policy adopted for members of the Group Companies' bodies. On 3 March 2020, the Extraordinary General Meeting of Mo-BRUK S.A., Acting on the basis of Article 90 (d) of the Act of 29 July 2005 on the public offering and conditions for the introduction of financial instruments into an organised trading venue and on public companies (i.e. Journal of Laws of 2019, item 623 as amended), adopted Resolution No 5/2020 on the adoption of the remuneration policy of members of the Management Board and the Supervisory Board of Mo-BRUK.

This report has been approved for publication by the Management Board of Mo-BRUK S.A.

## Signatures of the Members of the Management Board

<u>18 March 2020</u> <i>Date</i>	<u><b>Józef Mokrzycki</b></u> <i>President of the Management Board</i>	
<u>18 March 2020</u> <i>Date</i>	<u><b>Elżbieta Mokrzycka</b></u> <i>Vice-President of the Management Board</i>	
<u>18 March 2020</u> <i>Date</i>	<u><b>Anna Mokrzycka – Nowak</b></u> <i>Vice-President of the Management Board</i>	
<u>18 March 2020</u> <i>Date</i>	<u><b>Wiktor Mokrzycki</b></u> <i>Vice-President of the Management Board</i>	
<u>18 March 2020</u> <i>Date</i>	<u><b>Tobiasz Mokrzycki</b></u> <i>Vice-President of the Management Board</i>	

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The company was registered by the District Court for Krakow Downtown,  
XII Commercial Division of the National Court Register under KRS number: 0000357598.  
The share capital of the company is PLN 35 728 850.00 and is paid in full.