

MOBRUK

**MANAGEMENT REPORT
ON Mo-BRUK S.A.'S ACTIVITIES IN 2020**

Niecew, 28 April 2021

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Letter from the President of the Management Board of Mo-BRUK S.A. to the Shareholders

Dear Shareholders,

Dear Investors,

2020 was a year filled with events that were difficult to predict. The pandemic caused a variety of restrictions on businesses and unfortunately led to a global economic slowdown and ubiquitous uncertainty. Despite this challenging backdrop, we posted record financial results. Consolidated revenue reached PLN 178.5 million, denoting growth by 37% y/y. Profitability also improved exponentially, with EBITDA up by 83% y/y to PLN 103.1 million and net profit growing to PLN 78.7 million, up by 96% on a year-on-year basis. EBITDA margin came to 57.8%, up by 14.7 basis points year-on-year. We outperformed not just in our industry but across the entire stock market in Poland. This financial success would not have been possible without the engagement of our employees, who exhibited professionalism and commitment, while observing the elevated sanitary requirements.

Last year was also a breakthrough in terms of Mo-BRUK's shareholding structure. The public offering, which was very enthusiastically received by investors, increased the liquidity of our shares. The Company is seeing very strong interest on the part of investors, including foreign ones, that are looking for entities embracing circular economy and having solid ESG standards embedded in their DNA.

We are looking into the future with optimism. On 30 March 2021, Mo-BRUK signed an advisory agreement with Deloitte regarding analysis of foreign markets and M&A transactions in Poland. We have identified several acquisition targets and are expecting 2021-2022 to be intensive years in this field. We are interested in plants involved in the stabilisation of inorganic waste and the incineration of hazardous and medical waste. We are not ruling out new segments and acquisitions of entities involved in processing waste using other technologies. With good liquidity and no debt on a net basis, we are planning equity projects with a sense of security.

We are also seeing promising grounds for continuing our organic growth. The market is favourable, and our expectations with regard to rising fees for the processing and storage of waste and plenty of tender announcements for the management of illegally stored waste are

materialising.

We are hoping that continued law enforcement efforts to eliminate the shadow economy in waste management and a subsiding pandemic will let us get back to normalcy and the Company to continue its growth trend.

Sincerely,

Józef Mokrzycki

President of the Management Board

1. Mo-BRUK S.A.'s activities in 2020

Key data on the Company

Name:	Mo-BRUK Spółka Akcyjna
Issuer's registered office:	Niecew
Issuer's legal form:	joint stock company
Legislation:	Polish and EU
Country of Issuer's registered office:	Poland
Issuer's address:	Niecew 68, 33-322 Korzenna
Telephone number:	+48 (18) 441 70 48
Fax number:	+48 (18) 441 70 99
Email:	mobruk@mobruk.pl
Website:	www.mobruk.pl
KRS number:	0000357598
NIP number:	734-32-94-252
REGON number:	120652729

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

The Company has been established for an indefinite period and operates pursuant to the provisions of Polish law.

The firm had been operating since 1985 as a sole proprietorship under the name "Mo-BRUK" Józef Mokrzycki. Until 1996, it manufactured products from terrazzo (tiles, window sills, stairs) and catered predominately to retail customers. From 1996, the firm has been in the widely-defined waste management business, encompassing: storage, disposal and recycling. As the firm developed, on 1 April 2008 its legal form was changed from a sole proprietorship (Mo-BRUK Józef Mokrzycki) to a limited partnership. On 1 June 2010, the Company's legal form was changed to a joint stock company.

Mo-BRUK S.A. has seven branches and one subsidiary. A waste recovery facility and a concrete surface construction facility are located next to the Company's registered office in Niecew.

Three of the Company's branches are located in Wałbrzych: waste recycling facility, where alternative fuels are produced, industrial waste landfill (waste is no longer being landfilled here since 20 March 2020) and coal slug recovery facility.

An alternative fuel production facility has been operating in Karsy (municipality of Ożarów) since 2008, with an industrial waste incineration unit launched in 2014.

An inorganic waste recovery facility was launched in Skarbimierz in 2014.

Mo-BRUK S.A. also has a branch in Łęka (fuelling station and diagnostics station).

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

The subsidiary's principal business is the thermal treatment of industrial and medical waste.

Mo-BRUK S.A.'s share capital

On 13 October 2020, a change in the amount of Mo-BRUK S.A.'s share capital was registered at the National Court Register by the District Court for Kraków - Śródmieście, 12th Commercial Division in Kraków. The change followed the buy-back on 19 September 2019 of 60 000 shares, with a nominal value of PLN 10 each, and resolution no. 3/2020 adopted by the Ordinary General Meeting on 4 September 2020 regarding cancellation of the Company's own shares and resolution no. 4/2020 to decrease the Parent's share capital. The Issuer's share capital was reduced from PLN 35 728 850 to PLN 35 128 850, i.e. by PLN 600 000, through the cancellation of 60 000 of the Company's own shares with a nominal value of PLN 10 each.

At the date of this report, Mo-BRUK S.A.'s registered share capital amounted to PLN 35 128 850.00 (in words: thirty-five million one hundred twenty-eight thousand eight hundred fifty zlotys 00/110) and was divided into 3 512 885 (in words: three million five hundred twelve thousand eight hundred eighty-five) shares with a nominal value of PLN 10.00 (in words: ten zlotys 00/100) each. The Company's shares are as follows:

- 702 642 registered shares series A (1 405 284 votes) - series A shares are preference shares in terms of votes - one series A share entitles to two votes,
- 1 227 936 bearer shares series B (1 227 936 votes) - series B shares are not preference shares,
- 1 582 307 bearer shares series B (1 582 307 votes) - series C shares are not preference shares.

Acting pursuant to §8 sec. 1 of the Company's Articles of Association in connection with art. 334 § 2 of the Polish Commercial Companies Code, on 6 October 2020 the Management Board of Mo-BRUK S.A. adopted a resolution to exchange 1 227 936 ordinary registered shares series B, with a nominal value of PLN 10.00 each, for 1 227 936 ordinary bearer shares series B, with a nominal value of PLN 10.00 each.

All of the shares have been fully paid up. Since 2010, the Company's shares have been listed in the alternative trading system NewConnect, and from 25 April 2012 the Issuer's series C ordinary bearer shares were introduced to a parallel market operated by the Warsaw Stock Exchange based on decisions no. 369/2012, 370/2012, 371/2012 of the WSE's Board. On 30 March 2017, shares from a further issue were introduced to trade on the parallel market pursuant to resolution no. 301/2017 of the WSE's Board dated 27 March 2017. On 23 November 2020, series B shares were introduced to trading on the WSE's parallel market pursuant to resolution no. 896/2020 of the WSE's Board.

The shareholding structure at the date on which this report was published was as follows:

Shareholder	Number of shares	Share of capital	Number of general meeting votes	Share of general meeting votes	Share in total number of votes
Ginger Capital Sp. z o.o. ¹⁾	1 229 838	35.01%	1 932 480	45.84%	45.84%
Value FIZ	836 206 ²⁾	23.80%	836 206	19.84%	19.84%
Other	1 446 841	41.19%	1 446 841	34.32%	34.32%
TOTAL:	3 512 885	100.00%	4 215 527	100.00%	100.00%

Source: Issuer

¹⁾ On 2 July 2020, Lamosville Investments Sp. z o.o. changed its name to Ginger Capital Sp. z o.o.

²⁾ own calculations, based on information known to the Issuer.

2. Discussion of key economic and financial figures disclosed in the annual financial statements, in particular description of factors and events, including atypical in nature, having material impact on the Issuer's business and profit or loss in the financial year, along with discussion of development perspectives for the Issuer's business at least in the next financial year

In describing its situation financial and operational situation in this section, the Issuer applied alternative performance measures that deliver useful information on the financial situation, cash flows, financial effectiveness and profitability, along with relevant clarifications, so that investors can understand their usefulness and credibility (ESMA Guidelines on Alternative Performance Measures 05/10/2015 ESMA/2015/1415pl). These include:

1. EBITDA - earnings before interest, tax and amortisation / depreciation (akin to cash from operating activities). EBITDA is calculated as operating profit (EBIT) plus non-monetary costs (amortisation / depreciation). In general, EBITDA specifies the cash generating ability of a firm's assets. The higher the EBITDA, the higher the cash generating ability,
2. Margin on sales - gross profit on sales to net revenue from sales.
3. EBITDA margin - operating profit plus amortisation/depreciation to net revenue from sale.
4. EBIT margin - operating profit to net revenue from sale,
5. Net margin - net profit to net revenue from sale,
6. Net financial debt to EBITDA - financial debt less cash to operating profit plus amortisation/depreciation.

The Issuer notes that the alternative performance measures should not be afforded greater significance, impact or force than measurements (data) resulting directly from the financial statements. The Issuer recommends looking mainly into measurements (data) resulting directly from the financial statements when analysing this section.

Mo-BRUK S.A. SELECTED FINANCIAL DATA

ITEM	PLN		EUR	
	01.01.2020-31.12.2020	01.01.2019-31.12.2019	01.01.2020-31.12.2020	01.01.2019-31.12.2019
I. Net revenue from sale of products, goods and materials	156 424 763	117 684 523	34 961 830	27 357 307
II. Operating profit (loss)	85 088 157	47 867 337	19 017 690	11 127 389
III. Gross profit (loss)	86 859 307	48 452 822	19 413 552	11 263 492
IV. Net profit (loss)	70 795 680	39 404 360	15 823 240	9 160 059
V. Net cash flows from operating activities	65 544 856	38 877 331	14 649 650	9 037 544
VI. Net cash flows from investing activities	7 518 392	-158 016	1 680 404	-36 733
VII. Net cash flows from financial activities	-57 430 015	-26 664 592	-12 835 937	-6 198 533
VIII. Total net cash flows	15 633 233	12 054 722	3 494 117	2 802 278
IX. Weighted average number of shares	3 559 770	3 595 141	3 559 770	3 595 141
X. Profit (loss) per ordinary share (in PLN/EUR)	19.89	10.96	4.45	2.55
ITEM	PLN		EUR	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
XI. Total assets	193 562 407	182 599 495	41 943 835	42 878 829
XII. Liabilities and provisions for liabilities	44 756 223	56 247 693	9 698 410	13 208 335
XIII. Non-current liabilities	26 632 996	34 274 719	5 771 213	8 048 543
<i>including deferred income - grant</i>	19 189 922	22 470 258	4 158 343	5 276 566
XIV. Current liabilities	18 123 227	21 972 974	3 927 197	5 159 792
<i>including deferred income - grant</i>	2 202 906	2 430 001	477 357	570 624
XV. Equity	148 806 184	126 351 802	32 245 424	29 670 495
XVI. Share capital	35 128 850	35 728 850	7 612 215	8 390 008
XVII. Number of shares	3 512 885	3 572 885	3 512 885	3 572 885
XVIII. Book value per share (in PLN/EUR)	42.36	35.36	9.18	8.30

The above financial data for 2020 and 2019 was translated into EUR in accordance with the following rules:

- asset and equity and liability items for:

2020 - using the average exchange rate published on 31 December 2020 - EURPLN 4.6148,

2019 - using the average exchange rate published on 31 December 2019 - EURPLN 4.2585.

- data on comprehensive income and data from the statement of cash flows - according to an exchange rate being the arithmetic mean of the average exchange rates published by the National Bank of Poland for the last day of each month in the financial year (from 1 January 2020 to 31 December 2020) - EURPLN 4.4742, and for 2019 (from 1 January 2019 to 31 December 2019) - EURPLN 4.3018.

The growth in revenue by 32.9% in 2020, along with slower growth in costs (up by 8.1% in comparison with 2019), translated into a more than 1.5x increase in profit on sales, to PLN 82.2 million, compared to PLN 49.0 million in 2019. The Company is successively growing its revenue from the sale of products and services, with the largest impact coming from the most dynamically developing segment, i.e. waste management, which accounts for more than 88% of the Issuer's revenue. The improvement in the Issuer's revenue was driven by the acquisition of new customers on the waste management market, which provided new streams of waste for MoBRUK's installations, along with an increase in pricing and fees for waste processing, resulting from a change in regulations concerning waste management, which reduced the shadow economy.

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME (comparative format)

Item	For the period: 01.01.2020-31.12.2020	For the period: 01.01.2019-31.12.2019	Change
Revenue from sales	156 424 763	117 684 523	32.9%
Total costs:	74 255 495	68 694 246	8.1%
<i>Changes in products</i>	-1 344	4 871	-127.6%
<i>Depreciation / amortisation</i>	5 559 569	5 725 776	-2.9%
<i>Use of raw materials and materials</i>	10 538 254	10 466 071	0.7%
<i>Third-party services</i>	29 883 132	22 987 530	30.0%
<i>Cost of employee benefits</i>	16 214 895	15 422 303	5.1%
<i>Taxes and fees</i>	1 335 127	1 268 109	5.3%
<i>Other costs</i>	599 266	648 032	-7.5%
<i>Value of goods and materials sold</i>	10 126 595	12 171 554	-16.8%
PROFIT (LOSS) ON SALES	82 169 269	48 990 277	67.7%
Other operating revenue	3 326 119	330 755	905.6%
Other operating costs	407 230	1 453 695	-72.0%
EBITDA (operating profit + depreciation / amortisation) *	90 647 726	53 593 114	69.1%
EBIT (operating profit) **	85 088 157	47 867 337	77.8%
Finance income	2 198 057	1 448 892	51.7%
Finance costs	426 907	863 407	-50.6%
PROFIT (LOSS) BEFORE TAX	86 859 307	48 452 822	79.3%
Income tax	16 063 627	9 048 462	77.5%
NET PROFIT (LOSS)	70 795 680	39 404 360	79.7%

*/ EBITDA is an economic value that is not reflected in the existing IASs/IFRSs and is not applied in financial reporting. In connection with this, according to the Issuer it constitutes an alternative performance measure (APM). The presented and calculated EBITDA constitutes the sum of operating result (profit / loss) and amortisation / depreciation. The APM applies to the reporting periods indicated in the table header.

**/ EBIT is an economic value that is not reflected in the existing IASs/IFRSs and is not applied in financial reporting. In connection with this, according to the Issuer it constitutes an alternative performance measure (APM). The presented and calculated EBIT is identical to operating profit. The APM applies to the reporting periods indicated in the table header.

The growth in revenue along with cost reductions in core operating activities is reflected in other improved indicators, including EBITDA. In 2020, Mo-BRUK S.A. recorded 69% growth in EBITDA to PLN 90.6 million vs. PLN 53.6 million in 2019.

Analysis of Mo-BRUK S.A.'s profitability

Item	2020	2019
Sales margin	52.5%	41.6%
EBITDA margin	57.9%	45.5%
EBIT margin	54.4%	40.7%
Net margin	45.3%	33.5%

Algorithms for calculating the ratios:

Margin on sales = result on sales / net revenue from sales

EBITDA margin = operating result + amortisation / depreciation / revenue from sales

Operating margin = operating result / net revenue from sales

Net margin = net financial result / net revenue from sales

Mo-BRUK also recorded improvements in profitability ratios in 2020, comparing to 2019. Margin on sales increased from 41.6% to 52.5%, while operating margin went up from 40.7% to 54.4%. In the periods being compared, net margin grew significantly, from 33.5% to 45.3%, while EBITDA margin reached 57.9%.

Mo-BRUK S.A.'s profit

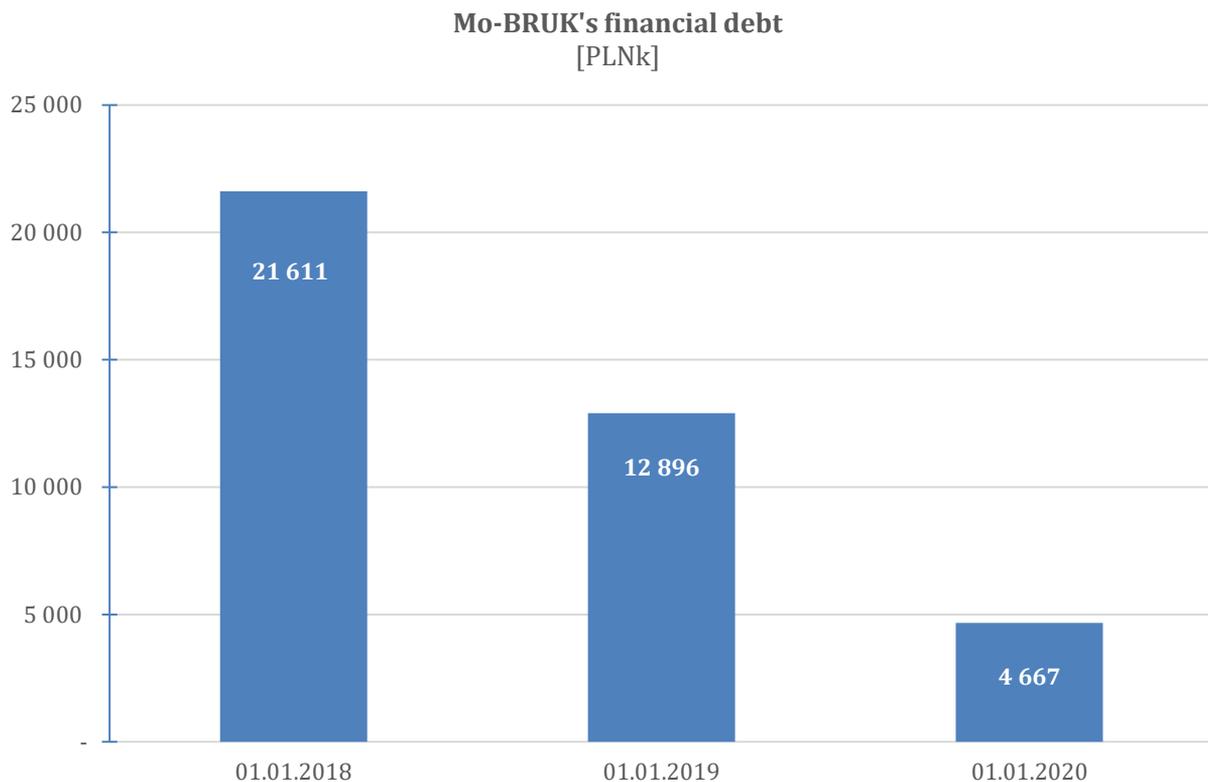
Item, data in PLN	2020	2019	Change
Profit (loss) on sales	82 169 269	48 990 277	67.7%
EBITDA (operating profit + depreciation / amortisation)	90 647 726	53 593 114	69.1%
EBIT (operating profit)	85 088 157	47 867 337	77.8%
Gross profit (loss)	86 859 307	48 452 822	79.3%
Net profit (loss)	70 795 680	39 404 360	79.7%

In 2020, Mo-BRUK S.A. recorded considerable growth in comparison with 2019 in operating profit, EBITDA, profit before tax and net profit (PLN 70.8 million, nearly 80% higher than the 2019 figure).

The Company is making payments on its financial debt on schedule, managing to significantly reduce its liabilities arising from financial contracts. In 2020, the Company's financial debt declined by 64%.

Mo-BRUK S.A.'s financial debt [PLN]			
	31.12.2018	31.12.2019	31.12.2020
Financial debt¹⁾	21 611 332	12 896 383	4 666 990
<i>including:</i>			
<i>credit debt</i>	<i>21 503 123</i>	<i>12 896 383</i>	<i>4 383 334</i>
<i>lease debt</i>	<i>108 209</i>	<i>0</i>	<i>283 656</i>

¹⁾ the financial debt in this table does not include a liability related to the perpetual usufruct of land.



By systematically repaying its financial liabilities, the Company is improving debt ratios, with a major improvement in the net financial debt to EBITDA.

At the end of 2020, the Company had higher cash than financial debt, which is why the ratio below is with a negative sign.

Mo-BRUK S.A.'s net financial debt to EBITDA ratio		
31.12.2018	31.12.2019 ¹⁾	31.12.2020 ¹⁾
0.3	-0.2	-0.4

Algorithms for calculating the ratio:

financial debt¹⁾ = cash / operating profit + amortisation / depreciation

¹⁾ the financial debt taken into account in calculating this ratio does not include a liability related to the perpetual usufruct of land

In 2020, the Company continued efforts to secure an appropriate volume of waste supply to the Company's installations. In 2020, Mo-BRUK's facilities recorded better sales than in the preceding periods. A higher exposure to the inorganic waste management sector is contributing to a considerable improvement in the Issuer's profitability. Given the fact that the waste management market in Poland is at a stage of intensive growth and is very promising, the Management Board of Mo-BRUK S.A. is expecting further growth in revenue in the coming periods. The Management Board is making every effort to secure an appropriate stream of waste for processing at Mo-BRUK S.A.'s installations. Commercial activities are being undertaken on an on-going basis, with the aim of acquiring new customers, which should translate into better financial results for the Issuer.

3. Information on key products and services

In its flagship segment, waste management, Mo-BRUK S.A. reports three business lines related to the processing and treatment of waste:

Solidification and stabilisation of inorganic waste

The Issuer possesses competences and experience in the treatment of inorganic waste and producing granulated cement from this waste. Mo-BRUK S.A. has been processing a variety of waste since 1996, using its own unique technology. The hazardous waste that the Issuer receives is subject to cementation at a further treatment stage. The Issuer collects a fee for waste received for cementation from entities providing waste for disposal. As a result of reactions taking place during this process, the hazardous substances contained in this waste are neutralised. The end result of the process is granulated cement, which is a substitute for aggregate and is sold to end customers. The following types of hazardous and non-hazardous inorganic wastes are accepted for the solidification and stabilisation process: slags and ashes from waste incineration plants, sludges from chemical wastewater treatment plants, post-galvanic waste, other waste containing heavy metals.

Based on proprietary waste cementation technology, the Issuer operates two sites: waste processing facility in Niecew and inorganic waste recovery facility in Skarbimierz.

Production of alternative fuels

Mo-BRUK S.A. was one of the first companies in the country to gain competence in the manufacture of alternative fuels. In 2004, the Issuer launched its first alternative fuel production facility in Wałbrzych. In 2008, the Issuer launched a second site in Karsy near Ożarów (next to the Ożarów cement plant). As a result of further investments with the use of EU funding, a second production line was built at the alternative fuels production facility in Karsy. This business line includes the separation of ferrous and non-ferrous metals, which until the end of Q3 2020 was performed at the ferrous and non-ferrous metals recovery plant in Zabrze. As part of an effort to streamline its business lines, on 30 September 2020 Mo-BRUK Group sold its facility in

Zabrze as an organised part of enterprise. This business line includes the storage of non-hazardous industrial waste. The storage of waste at the Issuer's landfill was ended on 20 March 2019, and rehabilitation work is currently under-way.

Mo-BRUK S.A. produces alternative fuel from combustible municipal waste provided by waste collection companies. Combustible industrial waste supplied directly by industrial plants and waste collection companies is also used in the manufacture of alternative fuels. Waste received is then subjected to mechanical processing, as a result of which alternative fuel is created.

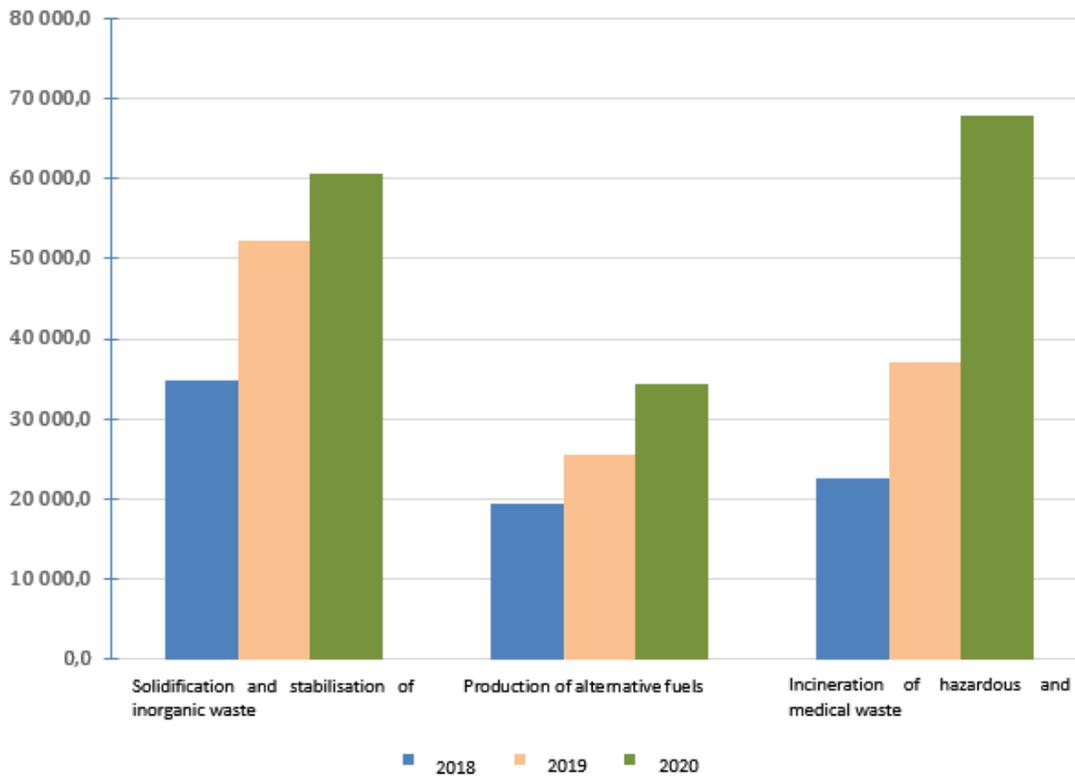
Incineration of hazardous and medical waste

In 2014, the Company launched an industrial waste incineration plan at the alternative fuel production facility in Karsy. The investment was delivered as part of the project "Implementation of innovative technology for production of high-calorie fuel mixture" for which the Issuer secured EU funding. The incineration plant is a source of warm air used to dry alternative fuel. The following types of waste are treated or recovered at the incineration plants: paints, adhesives, solvents, refinery waste, waste from oil and gas exploration, medical and veterinary waste, out-of-date agrochemicals, laboratory and analytical reagents.

Mo-BRUK S.A.'s revenue from waste management activities

Revenue from sales [PLNk]	2018	2019	2020
solidification and stabilisation of inorganic waste	35 393.5	52 803.8	61 285.6
production of alternative fuels	19 423.7	25 533.8	34 284.6
incineration of hazardous waste	7 807.9	20 074.7	41 499.0
Total:	62 625.1	98 412.4	137 069.2

Consolidated revenue from waste management
[PLNk]



Waste management is Mo-BRUK S.A.'s most dynamically developing segment, accounting for close to 88% of the Issuer's revenue, with several EU-funded investment projects completed by the Issuer.

The receipt of waste for further disposal or other management constitutes the key source of the Issuer's revenue. Mo-BRUK S.A. serves as an important link in the waste management chain in Poland as it is an alternative to landfills. Companies collecting municipal waste or holders of waste are interested in working with Mo-BRUK S.A. as it allows them to reduce waste storage at landfills. On the other hand, the Issuer is interested in receiving waste for further management because it possesses the relevant technology and experience in waste processing to produce: alternative fuels, granulated cement and energy.

The Issuer is competent and authorised for the disposal of nearly all types of waste listed in the Regulation of the Minister of the Environment dated 9 December 2014 on the waste catalogue (Polish Journal of Laws of 2014, item 1923). According to Polish law, waste disposal is paid for by the entity generating the waste rather than a "cleaning firm" or "disposal firm" such as the Issuer. This is why Mo-BRUK S.A. is able to collect fees for accepting waste at a level similar to or higher than the fees collected by landfill sites. The amount of fees collected by the Issuer depends on the waste category, physical and chemical category, location and, lastly, the negotiated terms.

4. Information on sales markets

Mo-BRUK S.A. predominately operates on the waste management market. The Issuer is also present on the concrete surface construction market and in other activities related to the trade of fuels.

The main customers for waste-management products and services are domestic, however in search for new markets the Company is also working with foreign counterparties. Nonetheless, the Company's efforts are directed mostly at growing its domestic market share.

Mo-BRUK's revenue from foreign counterparties [PLNk]

Year	Value	% share of total revenue from sales
2019	9 462.0	8.0%
2020	1 871.9	1.2%

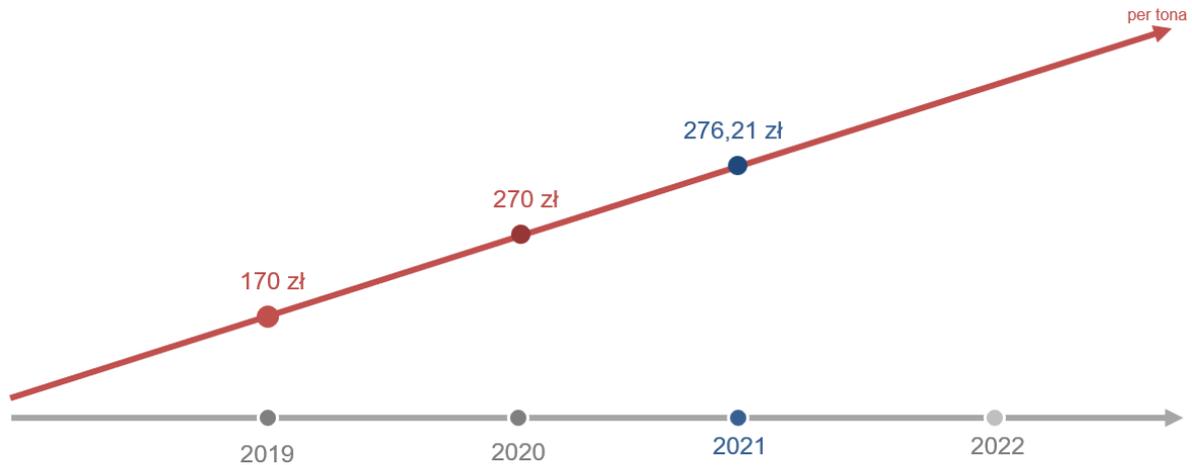
Growth prospects in markets where the Company operates

Mo-BRUK S.A.'s activities focus on the waste management market, i.e. collecting waste for disposal or further management. The Issuer sees this market as promising. This assessment is backed by the following facts:

- The waste management policy in Poland seeks to encourage eco-friendly attitudes among the producers of waste (businesses and individuals). Waste producers are being forced to pay increasingly steep fees for the waste they generate. The aim of this policy is to systematically reduce the volume of waste generated in Poland and to create appropriate conditions for their economic management (recycling). As a result, Poland, like "western" countries, is beginning to promote waste recycling and recovery rather than storage. This creates an opportunity for firms such as Mo-BRUK S.A. for dynamic growth.
- New technological solutions offer ecological applications for a growing group of waste. In addition, more and more companies have recently been turning to alternative fuels produced from waste as their main heating fuel. Cost is the main reason for using waste instead of traditional fuels such as coal or biomass.
- Economic growth in Poland is influencing the mindset of residents as regards environmental protection. In effect, a growing number of people sort waste, which is raising the significance of the recycling industry and improving the societal perception of recycling businesses.

The Environmental Protection Law and corresponding regulations and announcements, including the Notice of the Minister of the Environment on the level of environmental fees in 2021, are of significance for the municipal waste market - imposing the so-called marshal's fee that landfills are required to pay for each tonne of waste received for storage. It should be noted that the drafts of further regulations being currently drawn up provide for the systematic increase of this fee in the coming years, which in consequence can substantially contribute to a reduction in landfills and an increase in the significance of waste management activities, conducted by companies such as Mo-BRUK S.A.

Increase in the marshal's fee



Source: Regulation of the Council of Ministers dated 6 March 2017 amending the regulation on fees for use of the environment (Polish Journal of Laws of 6 March 2017, item 723) and Notice of the Minister of Climate dated 9 September 2020 (item 961)

According to the Issuer, the existing and planned legal regulations in Poland place an obligation on local governments to reduce municipal waste landfills, meaning that in the coming years demand for waste management services should grow considerably. The Issuer positively assesses the changes taking place on the municipal waste market and sees a market opportunity in these changes to strengthen its competitive position.

5. Material agreements to the Issuer's business signed in 2020

Material agreement with Miejski Zakład Gospodarki Odpadami Komunalnymi Sp. z o.o., based in Konin

On 2 January 2020, the Issuer signed an agreement with Miejski Zakład Gospodarki Odpadami Komunalnymi Sp. z o.o., based in Konin, for the provision of a service consisting of the collection, transport and final management of post-process waste from a Municipal Waste Thermal Treatment Plant.

The Issuer's maximum remuneration for the performance of the agreement may reach PLN 10 178 000.00 net. The Issuer's actual remuneration for the performance of the agreement will be determined as the product of the unit price and the actual weight of waste collected. The estimated quantity of waste to be collected during the agreement term is 14 000 tonnes.

The agreement was executed following a tender conducted pursuant to the Act of 29 January

2004 - the Public Procurement Law, and was signed for the period from 2 January 2020 to 31 December 2021.

Material agreement signed with Krakowski Holding Komunalny S.A.

On 14 April 2020, the Issuer signed an agreement with Krakowski Holding Komunalny S.A. for the performance of a service consisting of successive collection (transport and management) of waste generated in the process of thermal treatment of municipal waste at the Municipal Waste Thermal Treatment Plant in Kraków.

The Issuer's maximum remuneration for the performance of the agreement may reach PLN 7 014 000.00 net. The Issuer's actual remuneration for the performance of the agreement will be determined as the product of the unit price and the actual weight of waste collected.

The agreement was executed following a tender conducted pursuant to the Act of 29 January 2004 - the Public Procurement Law, and was signed for the period until 31 December 2020.

Material agreement signed with Synthos Dwory 7 Sp. z o.o. Spółka Jawna

On 10 June 2020, the Issuer signed an agreement with Synthos Dwory 7 sp. z o.o. sp. j., based in Oświęcim, for the performance of a service consisting of the collection, transport and management of waste in the form of an estimated 11 000 tonnes of soil containing mercury, code 170503*.

The estimated total value of the agreement is PLN 5.962 million net.

Pursuant to the provisions of the agreement, the Issuer is required to manage 100% of waste being the subject of the agreement in waste recovery process R5 at the Waste Recovery Plant in Niecew or at the Inorganic Waste Recovery Plant in Skarbimierz. For the performance of the agreement, Synthos will pay the Issuer an amount constituting the product of the unit price specified in the agreement and the actual quantity of waste collected.

Material agreement with PKP Polskie Linie Kolejowe S.A.

On 16 July 2020, the Issuer signed a framework agreement with PKP Polskie Linie Kolejowe S.A., based in Warsaw, for the provision of services consisting of the management of hazardous wooden waste (train track underlay), with an estimated weight of 16 476 tonnes.

The total remuneration (maximum amount) under this framework agreement may not exceed PLN 18.123 million net.

The framework agreement is in effect until 21 December 2022 or until the above amount is used up.

Pursuant to the provisions of the contract, PKP PLK will issue partial orders to the Issuer as necessary. For the performance of the agreement, PKP PLK will pay the Issuer an amount constituting the product of the unit price specified in the agreement and the actual quantity of waste collected.

Material agreement signed with Powiat of Zgierz

On 2 October 2020, the Issuer signed an agreement with the board of Zgierz Powiat, based in Zgierz, for the provision of a service consisting of comprehensive handling, i.e. loading (packing), transport and processing, of waste located in Brużyczka Mała, with an estimated quantity of 2013 Mg.

The total remuneration (maximum amount) under this agreement may not exceed PLN 15.701 million net. The final remuneration will constitute the product of the unit price for the removal of 1 Mg of waste and the actual scope of work completed by the Contractor.

Material agreement with the City of Gorlice

On 27 October 2020, the Issuer signed an agreement with the City of Gorlice for the performance of a service consisting of the removal of all hazardous waste illegally stored in 2016-2017 on a property at ul. Wyszyńskiego 2 in Gorlice, in various types of containers as well as in bulk and in large stationary containers, and subjecting this waste to final recovery processes appropriate to the properties of waste or final disposal processes as part of a task entitled "Elimination of risk to human health and life and environment caused by waste stored in a place not intended for this purpose, i.e. on the premises of the former Rafineria Nafty "Glimar" in Gorlice, ul. Kard. St. Wyszyńskiego 2".

In accordance with the contractor's proposal, the maximum remuneration is PLN 48.870 million gross.

In performing this agreement, Mo-BRUK is required to remove all waste, the estimated quantity of which is approx. 5000 Mg, and ensure their final management by 30 July 2022.

This agreement is co-funded with a grant and a loan from the National Fund for Environmental Protection and Water Management (NFOŚiGW).

6. Material events in the reporting period.

Legal changes in waste management permits

The Group's business is highly regulated by relevant provisions of law and requires the appropriate permits. The functioning of the various waste recovery facilities and alternative fuels production plants requires permits from the marshal of each voivodship and the leaders of each powiat where the Group's facilities are located.

The Issuer confirms that all of the Group's facilities meet the requirements arising from the Act of 29 July 2018 on amendment of the act on waste and certain other acts (Polish Journal of Laws of 2018, item 1592) and in connection with this the Issuer submitted on time - by 5 March 2020 - applications to the relevant authorities for changes in the waste management permits, compliant with the requirements of the aforementioned act, and that none of the proceedings concerning these applications to change waste management permits ended with refusal by the entity conducting the proceeding or were left unexamined.

Submission of application for prospectus approval to Polish Financial Supervision Authority

On 1 August 2020, the Issuer submitted an application to the Polish Financial Supervision Authority for the approval of a prospectus that, in accordance with resolution no. 22/2020 of the Ordinary General Meeting of 15 June 2020, was prepared in connection with the Issuer's application for the admission and introduction to trade on the regulated market (main market) operated by the Warsaw Stock Exchange of 1 249 092 series B shares, with a nominal value of PLN 10.00 each, and in connection with the public sale of up to 1 756 442 series B and C ordinary bearer shares, with a nominal value of PLN 10.00 each.

Sale by Mo-BRUK S.A. of an organised part of enterprise - Ferrous and Non-ferrous Metals Recycling Facility in Zabrze

The sale of this organised part of enterprise is presented in point 7 of this report.

Share capital decrease

On 13 October 2020, a change in the amount of Mo-BRUK S.A.'s share capital was registered at the National Court Register by the District Court for Kraków - Śródmieście, 12th Commercial Division in Kraków. The change followed the buy-back of 60 000 shares, with a nominal value of PLN 10 each, on 19 September 2019 and resolution no. 3/2020 adopted by the Ordinary General Meeting on 4 September 2020 regarding cancellation of the Company's own shares and resolution no. 4/2020 to decrease the Parent's share capital.

The Issuer's share capital was reduced from PLN 35 728 850 to PLN 35 128 850, i.e. by PLN 600 000, through the cancellation of 60 000 of the Company's own shares with a nominal value of PLN 10 each.

Company's prospectus approved by Polish Financial Supervision Authority

On 17 November 2020, the Polish Financial Supervision Authority issued a decision approving the Company's prospectus in connection with: public sale of up to 702 577 ordinary bearer shares series B, with a nominal value of PLN 10.00 each, offered by Ginger Capital Sp. z o.o., based in Korzenna, and up to 1 053 866 ordinary bearer shares series C, with a nominal value of PLN 10.00 each, offered by Value Fundusz Inwestycyjny Zamknięty z wydzielonym Subfunduszem 1, based in Warsaw, ("Offered Shares"), with the overall number of the Offered Shares not to exceed 1 405 154; and application by the Issuer for the admission and introduction to trade on the regulated market (parallel market) operated by the Warsaw Stock Exchange) of 1 227 936 ordinary bearer shares series B, with a nominal value of PLN 10.00 each ("Prospectus").

An electronic version of the Prospectus was published on 18 November 2020 on the Issuer's website (www.mobruk.pl) and, solely for information purposes, on the websites of the following investment firms - mBank S.A. (www.mdm.pl) and IPOPEMA Securities S.A. (www.ipopemasecurities.pl).

Admission and introduction of series B shares to trade on parallel market

On 19 November 2020, the Issuer received notice that the Management Board of Giełda Papierów Wartościowych w Warszawie S.A. ("WSE") adopted resolution no. 896/2020 regarding the admission and introduction to stock-market trade on the WSE's main market of the Parent's ordinary bearer shares series B.

Pursuant to the above resolution:

1 227 936 ordinary bearer shares series B, with a nominal value of PLN 10.00 each and total nominal value of PLN 12 279 360.00, ("Series B Shares") were admitted to trade on the WSE's parallel market;

The Series B Shares, marked with ISIN code PLMOBRK00013, were introduced to trade on the WSE's parallel market on 23 November 2020.

Allocation of shares offered in the public offering

In connection with the public offering of up to: 702 577 series B ordinary bearer shares, with a nominal value of PLN 10.00 each, offered by Ginger Capital sp. z o.o., based in Korzenna; and up to 1 053 866 series C ordinary bearer shares, with a nominal value of PLN 10.00 each, offered by Value Fundusz Inwestycyjny Zamknięty z Wydzielonym Subfunduszem 1, based in Warsaw, being conducted on the basis of the Company's prospectus approved by the Polish Financial Supervision Authority on 17 November 2020, the Shares Offered under the Offering were allocated on 27 November 2020.

The Offerors allocated a total of 1 405 154 of the Offered Shares to investors in the following manner:

- 1) 210 773 of the Offered Shares were allocated to retail investors,
- 2) 1 194 381 of the Offered Shares were allocated to institutional investors.

The average reduction rate for retail subscriptions was 56.6%.

7. Information on material transactions to purchase and sell property, plant and equipment

On 30 September 2020, the Management Board of Mo-BRUK S.A. signed an agreement to sell an organised part of enterprise - the Ferrous and Non-ferrous Metals Recycling Facility in Zabrze, which constituted an organisationally and functionally distinct entity, being an organised part of enterprise, capable of conducting economic activity independently.

The selling price for the organised part of enterprise was PLN 12 000 000 net.

The sale of the facility in Zabrze will not have a material impact on the Issuer's revenue and financial results in the future. In the first three quarters of 2020, the Ferrous and Non-ferrous Metals Recycling Facility in Zabrze generated PLN 0.9 million in revenue from the sale of goods and services, with EBITDA of PLN -0.3 million. Payment for the transaction will be made in instalments by 31 December 2021 and will be secured with a mortgage on a property, transfer of assets and a surety.

The transaction to sell the Ferrous and Non-ferrous Metals Recycling Facility in Zabrze is intended to streamline Mo-BRUK Group's business lines. Taking into account the fact that metals recycling is not a key element of the Issuer's business, the Management Board decided to sell the facility.

The following table presents the impact of the transaction to sell the facility in Zabrze on the operating result:

Net value of sales [PLNk]	12 000
Net book value of tangible assets sold [PLNk]	9 885
Value of inventory included in organised part of enterprise [PLNk]	34
Other operating revenue - unsettled part of grant [PLNk]	1 093
Gross result [PLNk]	3 174

8. Material events after the reporting period

Early complete repayment of investment loan at Bank Ochrony Środowiska S.A.

On 29 January 2021, the Issuer made an early, complete repayment of an investment loan from Bank Ochrony Środowiska S.A. The total amount repaid ahead of schedule was PLN 4 275 334.00.

The planned repayment date was 31 December 2021.

9. Information on the Issuer's organisational or capital relationships with other entities; indication of the Issuer's key investments and description of their financing

Mo-BRUK S.A. executed in the past and intends to execute in the future transactions with related parties in the meaning of IAS 24 Related Party Disclosures - appendix to Commission Regulation (EC) No 1126/2008 of 3 November 2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council (OJ L 320, 29.11.2008, p. 1, as amended).

Related parties with which Mo-BRUK executed transactions in 2020

Item	Name of related party	Type of link
1.	Ginger Capital Sp. z o.o. ¹⁾	Issuer's parent company (since June 2020)
2.	Raf-Ekologia Sp. z o.o.	Issuer's subsidiary (since December 2008)
3.	Magdalena Mokrzycka	Wife of Mr. Wiktor Mokrzycki, Vice-President of the Management Board
4.	Norbert Nowak	Husband of Mrs. Anna Mokrzycka-Nowak; former Supervisory Board Member (from 20 December 2019 to 3 March 2020)
5.	Józef Mokrzycki	President of the Management Board
6.	Elżbieta Mokrzycka	Vice-President of the Management Board
7.	Anna Mokrzycka-Nowak	Vice-President of the Management Board
8.	Wiktor Mokrzycki	Vice-President of the Management Board
9.	Tobiasz Mokrzycki	Vice-President of the Management Board
10.	Kazimierz Janik	Chairperson of the Supervisory Board
11.	Piotr Pietrzak	Member of the Supervisory Board
12.	Jan Basta	Member of the Supervisory Board
13.	Konrad Turzański	Member of the Supervisory Board
14.	Piotr Skrzyński	Member of the Supervisory Board

¹⁾The Issuer's parent company is Ginger Capital sp. z o.o., based in Korzenna, which at the date of the financial statements held 1 229 838 shares with a nominal value of PLN 10.00 each and total nominal value of PLN 12 298 380.00, which constituted 35.01% of share capital and entitled to 1 932 480 votes at the general meeting, or 45.84% of total votes at the general meeting.

10. Description of related-party transactions

Aside from the transactions listed below, no other transactions between the Company and its related parties in the meaning of IAS 24 took place in 2020. According to the Company's Management Board, all transactions with related parties were executed on an arm's length basis and at prices not different from the prices used in transactions between unrelated entities. The following lists do not include retail transactions at refuelling stations as well as waste management services and construction services of a negligible value.

In 2020, the Issuer was a party to the following transactions with the above related parties:

- On 2 May 2012, an employment contract for an indefinite period was executed with Mr. Norbert Nowak. The contract was terminated on 31 August 2019 by agreement of the parties. On 16 December 2019, another employment contract was executed with Mr. Norbert Nowak for the period until 30 June 2020, which was not extended for another period.
- On 1 July 2010, an employment contract for an indefinite period was executed with Mrs. Magdalena Mokrzycka for the position of accounting specialist.
- On 30 December 2008, the Issuer purchased from Rafineria Nafty Jedlicze S.A., based in Jedlicze, an organisationally and financially separate set of tangible and intangible assets constituting an organised part of enterprise (assets related to the activities of Raf-Ekologia

Sp. z o.o.) pursuant to an agreement to sell an organised part of enterprise and the act of establishing a mortgage of 30 December 2008 (notary's deed of 30 December 2008, notary's register A no. 9322/2008), in connection with which the Issuer, under the law, entered into all rights and obligations under tenancy agreement no. 44/REk/2004 of 31 May 2004 between Rafineria Nafty Jedlicze S.A. (as landlord) and Raf-Ekologia Sp. z o.o. (as tenant). Pursuant to the tenancy agreement, the landlord provided Raf-Ekologia Sp. z o.o. with non-current assets to conduct waste management activity, including land, buildings, structures, means of transport, equipment and movables. Under the agreement, the lessee may not transfer the subject of the agreement to a third party for free use and may not sub-lease it, while the Issuer is authorised to inspect the technical state and method of use of the leased objects. Major renovations and improvements to the buildings being the subject of the lease may be performed by the lessee after obtaining the Issuer's consent and agreeing the method of accounting for such major renovations and improvements. Public and legal burdens related to the subject of the lease, including property tax and insurance costs, are borne by the Issuer. The lessee has assumed the Issuer's obligations arising from the Environmental Protection Law in reference to the operation of the leased installations and equipment. Rent is on a monthly basis, with the stipulation that the Issuer may increase rent with a 14-day notice to the lessee. The agreement was executed for an indefinite period and may be terminated at any time, by written agreement of the parties or by one of the parties with written notice under pain of nullity, with a 3-month notice period calculated at the end of the calendar month, furthermore the Issuer has the right to terminate the agreement with immediate effect in the event that the subject of the lease is being used contrary to its properties and purpose, or in the event the lessee fails to pay rent for at least two payment periods, or transfers the subject of the lease, without the Issuer's consent, to a third party for free use, or subleases it, or in the event that the Issuer acquires shares in the lessee's company in exchange for an in-kind contribution in the form of the subject of the lease.

Entities linked by capital

Transactions with entities linked by capital are presented by entity, i.e. Ginger Capital Sp. z o.o. (parent company) and Raf-Ekologia Sp. z o.o. (subsidiary).

Transactions with entities linked by capital in 2020

Ginger Capital Sp. z o.o.	
[PLN]	
Dividends paid	19 788 424.50

Raf-Ekologia Sp. z o.o.	
[PLN]	
Net sales (without tax on goods and services)	4 894 150.10
<i>including:</i>	
- renting, leasing	3 420 000.00
- waste processing services	1 210 150.10
- trade and marketing services	264 000.00
Net purchases (without tax on goods and services)	105 362.20
Current receivables*	395 509.31
Dividend received	1 837 554.56

*The table above presents current receivables as at 31 December 2020.

The Company executed the following transactions with capital-related parties:

- lease of property pursuant to lease agreement no. 44/Rek/2004 of 31 May 2004; pursuant to annex no. 25 of 28 December 2015, the amount of rent is PLN 285 000.00 net per month,
- waste management services pursuant to an agreement executed on 25 May 2019 and amended through annex no. 1 of 10 July 2020,
- marketing services pursuant to an agreement on commercial and marketing services of 2 January 2014; in accordance with annex no. 4 of 29 March 2016, the monthly payment is PLN 22 000.00 net,
- sub-lease and use of infrastructure pursuant to an agreement of 2 January 2014; Raf-Ekologia charges the Issuer PLN 1 370.20 net per month,
- dividend payment by subsidiary Raf-Ekologia Sp. z o.o. - on 31 March 2020, the Ordinary General Meeting of subsidiary Raf-Ekologia Sp. z o.o. adopted a resolution to allocate the entire profit for the financial year from 1 January 2019 to 31 December 2019, amounting to PLN 1 837 554.56, to its sole shareholder - the payment was made on 16 April 2020.

Personally related entities

Transactions with personally related entities in 2020

Salary under employment contract		[PLN]
Magdalena Mokrzycka		56 548.89
Norbert Nowak		33 029.74

Transactions with members of the Company's Management Board in 2020

Management Board Member /transactions/	Turnover [PLN]	Balance of liabilities at year-end [PLN]
Józef Mokrzycki		
remuneration	662 400,00	45 213.00
other	42 108.00	-
dividend payment	2 466 000.00	-
Elżbieta Mokrzycka		
remuneration	420 000,00	28 970.00
other	5 220.00	-
dividend payment	1 302 000.00	-
Anna Mokrzycka-Nowak		
remuneration	420 000.00	28 910.00
other	12 540.00	-
dividend payment	1 003 000.00	-
Wiktoria Mokrzycki		
remuneration	420 000.00	28 888.00
other	14 048.88	-
dividend payment	1 003 000.00	-
Tobiasz Mokrzycki		
remuneration	420 000.00	28 907.00
other	12 693.0	-
dividend payment	1 003 000,00	-

Mr. Józef Mokrzycki received remuneration on the basis of an appointment as Member of the Management Board and a dividend payment of PLN 2 466 thousand.

Mrs. Elżbieta Mokrzycka received remuneration on the basis of an appointment as Member of the Management Board and a dividend payment of PLN 1 302 thousand.

Mrs. Anna Mokrzycka-Nowak received remuneration on the basis of an appointment as Member of the Management Board and a dividend payment of PLN 1 003 thousand.

Mr. Wiktor Mokrzycki received remuneration on the basis of an appointment as Member of the Management Board and a dividend payment of PLN 1 003 thousand.

In 2020, Mr. Tobiasz Mokrzycki received remuneration on the basis of an appointment as Member of the Management Board and a dividend payment of PLN 1 003 thousand.

Transactions with Members of the Company's Supervisory Board in 2020

Supervisory Board Members received remuneration on the basis of an appointment by the General Meeting as Supervisory Board Members.

Member of the Supervisory Board	Turnover [PLN]	Balance of liabilities at year-end [PLN]
Kazimierz Janik		
- remuneration	19 200.00	1 130.00
Piotr Pietrzak		
- remuneration	18 500.00	1 096.00
Jan Basta		
- remuneration	17 000.00	1 022.00
Konrad Turzański		
- remuneration	15 500.00	913.00
Piotr Skrzyński		
- remuneration	12 000.00	913.00
Norbert Nowak		
- remuneration	3 500.00	-

11. Ownership of the Issuer's shares or rights to shares by members of the Issuer's Management Board and Supervisory Board at the date of submitting the report, along

with an indication of changes in the ownership status, in the period from the submission of the previous annual report, separately for each person

At the date on which this report was published, the Issuer's management and supervisory persons did not directly hold any shares of the Issuer.

The following table presents Mo-BRUK S.A. shareholdings by management persons, as per the Issuer's knowledge based on information received from obligated persons.

Shareholder	Function in Issuer's governing bodies	Number of shares held at publication date of publication of 2020 report	Change of shareholding in the period	Number of shares held at publication date of 2019 report
Józef Mokrzycki	President of the Management Board	-	704 479 decrease	704 479
Elżbieta Mokrzycka	Vice-President of the Management Board	-	370 833 decrease	370 833
Anna Mokrzycka-Nowak	Vice-President of the Management Board	-	285 701 decrease	285 701
Wiktor Mokrzycki	Vice-President of the Management Board	-	285 701 decrease	285 701
Tobiasz Mokrzycki	Vice-President of the Management Board	-	285 701 decrease	285 701

In June 2020, **President of the Management Board Józef Mokrzycki** disclosed that his stake in the Issuer was contributed in kind to Lamosville Investments sp. z o.o. (after change of name - Ginger Capital Sp. z o.o.).

Following the in-kind contribution, Józef Mokrzycki does not directly hold any shares of the Issuer but at the publication date of this report he indirectly held, through Ginger Capital 1 229 838 shares, constituting 35.01% of share capital and representing 1 932 480 votes at the Company's General Meeting, which constituted 45.84% of total votes.

In June 2020, **Vice-President of the Management Board Elżbieta Mokrzycka** disclosed that her stake in the Issuer was contributed in kind to Lamosville Investments sp. z o.o. (after change of name - Ginger Capital Sp. z o.o.).

Following the in-kind contribution, Elżbieta Mokrzycka did not directly hold any shares of the Issuer but at the publication date of this report she held indirectly, through Ginger Capital, 1 229 838 shares, constituting 35.01% of share capital and representing 1 932 480 votes at the Company's General Meeting, which constituted 45.84% of total votes.

In June 2020, **Vice-President of the Management Board Anna Mokrzycka-Nowak** disclosed that her stake in the Issuer was contributed in kind to Lamosville Investments sp. z o.o. (after change of name - Ginger Capital Sp. z o.o.).

Following the in-kind contribution, Anna Mokrzycka-Nowak did not directly hold any shares of the Issuer but at the publication date of this report she held indirectly, through Ginger Capital, 1 229 838 shares, constituting 35.01% of share capital and representing 1 932 480 votes at the Company's General Meeting, which constituted 45.84% of total votes.

In June 2020, **Vice-President of the Management Board Wiktor Mokrzycki** disclosed that his

stake in the Issuer was contributed in kind to Lamosville Investments sp. z o.o. (after change of name - Ginger Capital Sp. z o.o.).

Following the in-kind contribution, Wiktor Mokrzycki did not directly hold any shares of the Issuer but at the publication date of this report he held indirectly, through Ginger Capital, 1 229 838 shares, constituting 35.01% of share capital and representing 1 932 480 votes at the Company's General Meeting, which constituted 45.84% of total votes.

In June 2020, **Vice-President of the Management Board Tobiasz Mokrzycki** disclosed that his stake in the Issuer was contributed in kind to Lamosville Investments sp. z o.o. (after change of name - Ginger Capital Sp. z o.o.).

Following the in-kind contribution, Tobiasz Mokrzycki did not directly hold any shares of the Issuer but at the publication date of this report he held indirectly, through **Ginger Capital**, 1 229 838 shares, constituting 35.01% of share capital and representing 1 932 480 votes at the Company's General Meeting, which constituted 45.84% of total votes.

12. Material proceedings on-going before a court, arbitration authority or public administration authority, concerning liabilities or debts of the Issuer

I.

In a notice dated 2 December 2019, the Marshal of the Dolnośląskie Voivodeship informed the Issuer about the initiation of a procedure on the assessment of a fee in an amount constituting the difference between the fee due and the fee resulting from the list for waste storage in 2015 at a landfill for non-hazardous and inert waste with a separate facility for the storage of hazardous waste containing asbestos at ul. Górnicza 1 in Wałbrzych (file no.: DOW-S-I.7253.105.2019.AH). In this case, a law firm drafted a response which was filed by the Company, in response to which the Marshal of the Dolnośląskie Voivodeship sent a letter dated 31 December 2019 and indicated new deadlines for the provision by the Company of the documents referred to in the aforementioned notice. In a letter dated 26 June 2020, the law firm asked the Marshal to push back the deadline for responding to 10 July 2020. On 29 June 2020, the Marshal of the Dolnośląskie Voivodeship issued a decision (file no. DOW-S-I.7253.105.2019.AH) on an increased fee, amounting to PLN 17 642 176.00. An appeal was lodged against this decision on 16 July 2020 (file no. SKO-4133/27/20); the decision was repealed and the case was referred for re-examination by the first-instance organ. Through a decision of 15 January 2021 (ref. DOW-S-I.7253.105.2019.AH). The law firm appealed this decision. The appeal not only included substantive arguments (i.e. concerning the lack of justification for the higher fee) but also pointed out procedural errors - which also can lead to the decision by the Marshal of the Dolnośląskie Voivodeship being repealed. In particular, it should be pointed out the flaws in the conduct of the proceedings by the Marshal of the Dolnośląskie Voivodeship, consisting of a sort of premature re-examination of the case (i.e. before the decision of the Local Appeals Court in Wrocław dated 13 October 2020 became final), along with irregularities relating to the selective conduct of evidentiary proceedings (including omitting the Company's position), which led to the incorrect imposition of the increased fee. This case will be comprehensively verified by the Local Appeals Court in Wrocław. It should also be noted that a similar case already took place. Through a decision of 15 July 2016 (ref. DOW-

S-I.7253.11.2015.PŁ.NK), the Marshal of the Dolnośląskie Voivodeship imposed on the Company a fee of PLN 6 084 016.00 for 2013. After the Company lodged an appeal, which indicated (as will be the case in the current matter) a number of violations of the law, the Local Appeals Court in Wrocław, in its decision dated 8 September 2016, repealed the appealed decision in its entirety and referred the case for re-examination by the Marshal of the Dolnośląskie Voivodeship. Through a decision of 30 November 2016 (ref. DOW-S-I.7253.11.2015.NK), the Marshal of the Dolnośląskie Voivodeship once again imposed on the Company a higher fee, however as a result of another appeal (i.e. against a decision dated 30 November 2016), the Local Appeals Court in Wrocław, through a decision of 28 March 2017, repealed the above decision issued by the Marshal of the Dolnośląskie Voivodeship and changed the fee to PLN 807.00 (final and binding decision).

II.

Administrative proceedings regarding alleged violations in waste management against the Company are under-way in a second-instance court. The penalties for these violations, amounting to PLN 26 thousand in total, if they become final, could give rise to negative effects for the Company that are provided for in other provisions of the law. According to the Management Board, the aforementioned fees were imposed unjustifiably, and for this reason an appeal proceeding is under-way.

13. Information on credit and loan agreements signed and terminated in the financial year

In 2020 and until the date on which this report was prepared, Mo-BRUK did not have any unpaid credit facilities and loans or breaches of material provisions of credit or loan agreements.

In 2020 and until the date on which this report was prepared, Mo-BRUK signed the following material financial contracts, agreements and annexes:

Early complete repayment of investment loan at Bank Ochrony Środowiska S.A.

On 29 January 2021, the Issuer made an early, complete repayment of an investment loan from Bank Ochrony Środowiska S.A. The total amount repaid ahead of schedule was PLN 4 275 334.00.

The planned repayment date was 31 December 2021.

Bank guarantee agreement between Mo-BRUK S.A. and Bank Millennium S.A., based in Warsaw

On 26 November 2020, the Issuer signed agreement no. 14147/20/GW/04 with Bank Millennium S.A., based in Warsaw, on the grant of a PLN 3 062 050.00 guarantee for a transboundary movement of waste as collateral for potential claims. The agreement is valid until 30 November 2022.

Annex to Non-Renewable Credit Agreement between Mo-BRUK S.A. and BOŚ S.A., based in

Warsaw

On 27 March 2020, the Issuer signed an annex to a PLN 30 million credit agreement with Bank Ochrony Środowiska S.A. The outstanding amount as at the date of signing the annex was PLN 7.98 million.

Pursuant to the annex, the following collateral was released:

- mortgage on industrial properties including a waste recycling facility with an alternative fuel production line and a waste landfill, located in Wałbrzych at ul. Górnicza, with mortgage and land registers no. SW1W/00033850/2, no. SW1W/00051411/5, no. SW1W/00033849/2, no. SW1W/00082294/4, no. SW1W/00056032/9, no. SW1W/00052549/8 and no. SW1W/00082293/7
- mortgage on a right to the perpetual usufruct of a property in Karsy with an area of 1.14ha together with buildings and equipment situated on it, with mortgage and land register no. KI1S/00062925/5.

14. Changes in key rules for the management of the Issuer and its Group

No changes in key rules for the management of the Issuer and its Group took place in 2020.

15. List of effects of changes in the structure of the economic entity, including as a result of business combinations, long-term investments, divisions, restructuring and discontinued operations

No changes in the economic entity's structure took place in 2020.

16. Clarification of differences between financial results presented in the annual report and previously published results forecasts for the year

Mo-BRUK S.A. did not publish results forecasts for 2020.

17. Information on one or more transactions executed by the Issuer or its subsidiary with related parties, if individually or in the aggregate they are material and were executed on terms other than market terms

Neither the Issuer nor its subsidiary executed transactions on terms other than market terms.

18. Information on paid or declared dividend

Dividend policy

On 22 September 2020, pursuant to §37 point d of the Company's Articles of Association, the Management Board of Mo-BRUK S.A. adopted resolution 79/2020 regarding amendment of the dividend policy introduced through Management Board resolution no. 67/2019 of 15 April 2019. In line with the dividend policy, the Management Board is expected to recommend to the General Meeting that between 50% and 100% of Mo-BRUK S.A.'s net profit be allocated to a dividend on the condition that the net debt to EBITDA ratio is maintained at an expected level at the end of the financial year that the profit allocation concerns.

In its recommendation on the allocation of Mo-BRUK S.A.'s profit, the Company's Management Board will take into account investment plans, including acquisitions, the Company's financial and liquidity situation, existing and future liabilities (including potential restrictions related to credit agreements and the issue of debt instruments) and assessment of Mo-BRUK S.A.'s perspective under specific market and macroeconomic conditions.

The net debt to EBITDA ratio at the end of the financial year that the profit allocation concerns may not exceed 2.5.

The dividend policy is set for an indefinite time and will be subject to periodic reviews.

The dividend policy entered into force on the date it was adopted and is effective starting with the Company's net profit for the financial year ended 31 December 2020.

Adoption of resolution on payment of dividend from supplementary capital

On 3 March 2020, an Extraordinary General Meeting of Mo-BRUK S.A. adopted resolution no. 6/2020 to allocate PLN 12 330 226.65 from supplementary capital to a dividend payment.

The Extraordinary General Meeting of Mo-BRUK S.A. set the record date as 12 March 2020 and the payment date as 19 March 2020.

The dividend payment did not apply to own shares purchased by the Company for cancellation (60 000 shares).

The dividend per share amounted to PLN 3.51.

Dividend payment for 2019 from related party

On 31 March 2020, the Ordinary General Meeting of subsidiary Raf-Ekologia Sp. z o.o. adopted a resolution to allocate the entire profit for the financial year from 1 January 2019 to 31 December 2019, amounting to PLN 1 837 554.56, to its sole shareholder and parent company Mo-BRUK S.A. The dividend paid out for the financial year from 1 January 2018 to 31 December 2018 amounted to PLN 1 153 664.96.

The dividend payment for 2019 was made on 16 April 2020.

Dividend payment for 2019 from the Issuer

Through a resolution of 15 June 2020, the Ordinary General Meeting of Mo-BRUK S.A. allocated PLN 36 007 071.25, i.e. PLN 10.25 per share, to a dividend for shareholders.

The Ordinary General Meeting ruled as follows:

1. record date, i.e. date on which the right to dividend is established - 22 June 2020,
2. dividend payment date - 29 June 2020.

The dividend payment did not apply to own shares purchased by the Company for cancellation (60 000 shares).

Dividend payment for 2020 from related party

On 1 April 2021, the Ordinary General Meeting of subsidiary Raf-Ekologia Sp. z o.o. adopted a resolution to allocate the entire profit for the financial year from 1 January 2020 to 31 December 2020, amounting to PLN 9 767 132.09, to a dividend for the sole shareholder, Mo-BRUK S.A.

The dividend payment was made on 16 April 2021.

19. Agreements between the Issuer and management personnel providing for compensation in the event of resignation or dismissal without valid cause or if the dismissal or termination takes place due to the Issuer's merger through acquisition

On 20 December 2019, the Supervisory Board, acting pursuant to the authorisations specified in §23 sec. 2 letter g of the Company's Articles of Association, adopted resolutions 160/2019, 161/2019, 162/2019, 163/2019, 164/2019, introducing, aside from fixed salaries, severance payments:

- when a Management Board member is dismissed or his/her mandate expires at the end of term, he/she is entitled to remuneration for the full month in which he/she was dismissed or his/her mandate expired.
- a Management Board member is entitled to a severance payment amounting to 12 times the last monthly gross salary, payable within 30 days from the date of dismissal or the lack of reappointment to the Management Board for another term or resignation due to commitments toward shareholders other than founding shareholders.

Aside from the above, the Issuer did not execute any agreements providing for compensation to the Issuer's management and supervisory persons and upper-level managers in the event of resignation or dismissal without valid cause or if the dismissal or termination takes place due to the Issuer's merger through acquisition.

20. Information on sureties and guarantees issued and received in the financial year, with emphasis on sureties and guarantees issued for the Issuer's related parties

In 2020, the Issuer did not issue sureties or guarantees to related parties.

Information on guarantees received in 2020 is presented in note 32.2. "*Contingent liabilities related to guarantees and sureties received - detailed specification*" in Mo-BRUK S.A.'s financial statements for 2020.

21. Information on credit or loan sureties or guarantees issued by the Issuer or its subsidiary - in aggregate to one entity or a subsidiary of that entity, if the total value of the existing sureties or guarantees is material

During the reporting period ended 31 December 2020, Mo-BRUK S.A. or subsidiaries did not issue credit or loan sureties or guarantees the aggregate value of which would be material.

22. Remuneration, awards or benefits, including those resulting from incentive or bonus programs based on the issuer's equity, including programs based on bonds with pre-emption rights, convertible bonds, subscription warrants, paid, due or potentially due, separately for each of the management and supervisory persons in the issuer's enterprise

In 2020, the Issuer did not pay out awards or benefits resulting from incentive or bonus programs based on the Issuer's equity, including programs based on bonds with pre-emption rights, convertible bonds, subscription warrants (in cash, in kind or in any other form), paid, due or potentially due, separately for each of the management and supervisory persons in the Issuer's enterprise, regardless of whether they were classified as costs or resulted from profit allocation.

On 3 March 2020, Mo-BRUK S.A.'s Extraordinary General Meeting, acting pursuant to art. 90 d of the Act of 29 July 2005 on public offering and the terms for introducing financial instruments to an organised trading system and on public companies (Polish Journal of Laws of 2019, item 623, as amended), adopted resolution no. 5/2020 regarding the adoption of a remuneration policy for members of Mo-BRUK S.A.'s Management Board and Supervisory Board.

The principal objective of the remuneration policy is to contribute toward implementing the Company's business strategy, long-term interests and stability. It includes the following elements:

1. Growth in the Company's value through the development of top management,
2. Delivery of a consistent and incentivising remuneration system for Management Board Members,
3. Linking the amount of remuneration for Management Board Members with progress in achieving management objectives.

The policy applies to the following persons:

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

General assumptions about remuneration

1. The Company distinguishes between fixed base remuneration, covering payments and benefits that are available to people covered by the remuneration policy for their function,

responsibility and work, which is not tied to criteria related to results or an assessment of the work results of a person, and variable remuneration, which is tied to the results of work. Variable remuneration in the meaning of the Policy does not include exceptional awards or benefits where their basis is neither the assessment of the work of a given employee nor the Company's financial results.

2. If remuneration is split into fixed and variable components, the fixed components should constitute a sufficiently large portion of total remuneration so as to allow the Company to implement a flexible policy with regard to the variable components of remuneration, which are tied to performance.
3. The amount of fixed remuneration for persons covered by the Policy is determined on a case-by-case basis in the legal basis for employment.
4. The Supervisory Board sets the amount of remuneration for Management Board Members, taking account of the Policy's content, market conditions, substantive usefulness and the scope of responsibility of the person.
5. Members of the Company's Management Board do not receive remuneration or awards for the performance of functions on the corporate bodies of Mo-BRUK Group companies.
6. Fixed components may include:
 - a. Monthly salary
 - b. Additional benefits
 - c. Severance pay and compensation
7. Non-financial components of remuneration for Management Board Members may include:
 - a. medical packages financed by the Company;
 - b. company car made available exclusively and for private purposes;
 - c. company apartment if the employee's availability is essential due to the nature of work and scope of responsibilities;
 - d. insurance policies.

On 18 August 2020, the Issuer adopted an incentive program that is contingent on exceeding a certain threshold in average annual EBITDA growth per share (adjusted for one-off events in excess of PLN 0.5 million), with debt below 2.5x EBITDA for the years 2020/2019, 2021/2020, 2022/2021. In accordance with the incentive program:

- if the average EBITDA growth per share reaches 25-35% and accumulated EBITDA for the past three years reaches at least PLN 250 million, the Management Board will receive a bonus of double the amount of annual gross remuneration;
- if the average EBITDA growth per share reaches 35-45% and accumulated EBITDA for the past three years reaches at least PLN 300 million, the Management Board will receive a bonus of triple the amount of annual gross remuneration;
- if the average EBITDA growth per share exceeds 45% and accumulated EBITDA for the past three years reaches at least PLN 350 million, the Management Board will receive a bonus of quadruple the amount of annual gross remuneration;

Bonuses can be awarded to Management Board Members who performed their function

throughout the entire analysed period. Bonuses will be payable after the audit of the financial statements for 2022.

The amounts of remuneration for the management and supervisory personnel of the parent company, Mo-BRUK S.A., are presented in point 10 of this report: "Description of related-party transactions."

23. Information on non-financial indicators related to the entity's business and information on employee and natural environment matters.

EMPLOYEE MATTERS

Mo-BRUK is successful because of its employees and their collaboration across all levels of the entire organisation. The firm especially cares about relations with employees and treats activities intended to develop jobs with priority. All employees have equal opportunities and development possibilities. Decisions regarding hiring or internal promotion depend solely on the candidate's qualifications and accomplishments. Mo-BRUK S.A. stands against all discrimination in employment, especially due to gender, age, disability, race, religion or nationality. The firm practices equal remuneration of men and women for similar work. Mo-BRUK is mainly counting on qualified personnel at every level, which is why it offers employees development opportunities, including mandatory training and the option to request individual training.

Revenue from sales per 1 employee

Item	2020	2019
Mo-BRUK		
revenue from sales [PLNk]	156 425	117 685
average annual headcount [persons]	195	193
revenue from sales per 1 employee [PLNk]	802	610

Employment by education

Item	Primary	Vocational	Secondary	Higher
Mo-BRUK				
31.12.2020	18	61	60	45
31.12.2019	21	69	67	46

Employment by age

Item	20-30	31-40	41-50	51-60	61-70
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Mo-BRUK					
31.12.2020	26	55	50	40	13
31.12.2019	36	61	57	35	14

ENVIRONMENT

Given its business profile, Mo-BRUK was required to obtain permits for activities that have a direct impact on the natural environment and on the use of property, plant and equipment. Conducting operations at each site strictly depends on having the relevant permits, which specify in detail matters and requirements related to environmental protection. A lack of waste management permits would make it impossible to continue operating and therefore using the property, plant and equipment of a facility for the purpose of conducting operations within the current scope.

The Company is subject to a variety of laws and regulations pertaining to the use of land and environmental protection, which are important to the use of property, plant and equipment. The most important laws and regulations include:

- Act of 27 April 2001 - Environmental protection law (Polish Journal of Laws of 2001 no. 62, item 627, as amended),

The Act sets out rules for environmental protection and terms for using environmental resources, taking into account the requirements of sustainable development, in particular:

- 1) rules for determining: a) conditions for protecting environmental resources, b) conditions for introducing substances or energy to the environment, c) costs of using the environment,
- 2) disclosure of information on the environment and its protection,
- 3) the society's participation in an environmental protection proceeding,
- 4) duties of administrative bodies,
- 5) responsibility and sanctions.

- Act of 16 April 2004 on the protection of nature (Polish Journal of Laws of 2004 no. 92, item 880, as amended),

The Act sets out objectives, rules and forms of protection for animate and inanimate nature and landscape.

- Act of 14 December 2012 on waste (Polish Journal of Laws of 2013, item 21, as amended),

The Act introduces regulations that require entities to modify technological processes related to waste management and amends formal and legal requirements pertaining to this matter and reporting. In a section on waste management rules, the Act lays out general requirements concerning waste management, i.e. rules related to waste generation and management - transportation, collection, processing. Aside from safeguards for human life and health and for the environment, the Act introduces the second most important general rule of waste management - the waste treatment hierarchy, the practical application of which is the key objective of the Act. The Act sets out two types of authorisations required for waste management: permit for collecting waste and permit for processing waste. The Act introduces indications and rules for imposing administrative monetary penalties separately from the Environmental

protection law.

➤ Act of 11 May 2001 on the responsibilities of businesses in management of certain wastes and on the product and deposit fee (Polish Journal of Laws of 2001, no. 63, item 639, as amended)

The objective of this Act is first to prevent the generation of waste as well as reduce its quantity and harmfulness, and if this is not possible, then to foster appropriate conditions for the recovery and recycling of packaging and post-consumer waste. The enterprise is required to ensure the recovery, particularly through the recycling of packaging and post-consumer waste.

➤ Act of 18 July 2001 - Water Law (Polish Journal of Laws of 2001, no. 115, item 1229, as amended)

The Act addresses the management of water in accordance with sustainability rules and in particular the shaping and protecting of water resources, use of water and management of water resources.

In its operations, Mo-BRUK makes every effort to act in compliance with the laws and regulated pertaining to the use of land and protection of the natural environment.

24. Description of materials risk factors and threats along with level of Issuer's exposure

The following list of risk factors is not exhaustive and should not be viewed as such. These are the most important aspects of risk from the Issuer's viewpoint. It should be noted that because of the complexity and volatility of the conditions for economic activity, other factors that are not mentioned in this report may have an impact on the Company's business. The order in which the risk factors are described below is not suggestive of the probability that negative events for the Issuer will materialise or of their materiality.

➤ Risk associated with COVID-19

Mo-BRUK S.A. is continuously working on safeguards against COVID-19. We are carrying out educational activities for employees, customers and suppliers to reduce the risk of spreading the virus.

Covid-19 has not had a negative impact on our business thus far. The Management Board is continuously monitoring the situation with our customers and is ready to respond to any potential threats on an on-going basis.

The Management Board sees potential risk in the introduction of a quarantine at the Company's facilities or at key suppliers. A quarantine could have a negative impact on our financial results. Risk related to the impact of Covid-19 on going concern is minimal, according to the Management Board.

➤ Risk associated with the macroeconomic environment

The Issuer generates revenue mostly on the domestic market and for this reason revenue is indirectly dependent on factors that are related to the overall macroeconomic situation in Poland. These factors include: unemployment, economic growth, inflation, budget deficit. Turmoil in international financial markets could affect the economic situation in Poland. This could lead to: a decline in economic growth, higher unemployment rate and the weakening of PLN vs. foreign currencies. The macroeconomic tendencies described above may have an impact on the Issuer's financial situation. Any future adverse changes in one or more of the factors above, in particular a slowdown of the Polish economy, potential currency crisis, public finance crisis or political instability, could have a negative impact on the Issuer's financial results and standing.

➤ **Risk associated with changes in legal regulations concerning environmental protection**

Legal regulations in Poland are subject to constant changes, also in the sector in which the Issuer operates, i.e. in the environmental protection area. In effect, it is necessary to incur the cost of monitoring legislative changes and the cost to adapt to the changing regulations. Furthermore, in the event of unclear wording in the regulations or inconsistency between the provisions of national and EU laws, there is a risk of discrepancy in their interpretation between the Issuer and other entities, such as contractors or administrative bodies. Risk related to regulations is especially important for the Issuer because it is subject to relevant waste management regulations (Act on Waste, EU Waste Framework Directive, Environmental Protection Law, etc.) not just on a national level but also on the EU level. If the Issuer fails to adapt to updated laws, there is a risk of penalties that can be imposed by state administration bodies or limited activity in certain areas or the complete discontinuation of operations.

If this risk were to materialise, other operating costs in the Issuer's financial statements would be affected in the case of penalties, and in the event that operations would be discontinued, all positions in the Issuer's financial statements would be affected as a result of discontinued operations.

According to the Issuer, the materiality of the above factors is medium because if they materialise the scale of adverse impact on the Issuer's financial and operational situation would be limited. The Issuer assesses the probability of this risk materialising as medium.

➤ **Risk associated with illegal practices and conditions in the Issuer's industry**

The key industries in which the Issuer operates, i.e. waste management and alternative fuels, feature strong growth dynamics and major development opportunities for the entities present there. However, factors such as macroeconomic factors, legal regulations and social awareness (including at the level of economic entities) related to environmental protection have a material impact on the conditions of these industries. Therefore, a general economic deterioration in the country, reduction in public spending on environmental protection, changes in laws that would reduce the necessary spending on these objectives by the non-public sector or other significant changes in legislation on environmental protection can have a material adverse impact on the activities of entities operating in these industries, including the Issuer. Moreover, the waste management industry is susceptible to fraud and illegal practices such as unlawful depositing of waste, incinerating landfilled waste, conducting land rehabilitation with the use of hazardous substances (burying waste). Such activities constitute unfair competition and may reduce the

Company's ability to develop, thus having a negative impact on its financial results, especially as a result of lower revenue.

In 2014-2015, as a result of the deferral of restrictions on the storage of combustible waste, conditions in the waste processing industry were unfavourable. A low demand for services caused liquidity problems for the Issuer.

According to the Issuer, the materiality of the above factors is medium because if they materialise the scale of adverse impact on the Issuer's financial and operational situation would be limited. The materialisation of this risk may reduce the Issuer's profitability. The Issuer assesses the probability of this risk materialising as medium.

➤ **Risk associated with limited access to insurance policies for entities in the industry in which the Issuer operates**

Activities carried out by the Issuer involve the storage and processing of combustible materials. The Issuer's facilities producing refuse-derived fuel (RDF) are especially exposed to the risk of fire. Uninsured damages or damages in excess of insurance cannot be ruled out. Other damages caused by random events also cannot be ruled out. Based on experience from recent years, the Issuer notes that insurance firms are reluctant to insure entities in the industry in which the Issuer operates, which raises insurance premiums or limits the insurance scope.

According to the Issuer, the materiality of the above factors is medium because if they materialise the scale of adverse impact on the Issuer's financial and operational situation would be limited. The materialisation of this risk may result in the Issuer's temporary inability to generate revenue and an increase in costs. The Issuer assesses the probability of this risk materialising as low.

➤ **Risk associated with potential changes in laws and ambiguous interpretations**

Relatively frequent changes in laws, especially concerning tax obligations, and their ambiguous interpretations significantly hinder the planning of investment projects by the Issuer in the long-term, which in consequence may have a negative impact on the Issuer's financial and operational results. Frequent changes in tax regulations and the threat of steep penalties and sanctions imposed by tax authorities may have a negative impact on the Issuer's business. A further threat is posed by tax authorities using tax law interpretations issued by higher-instance authorities or courts. These interpretations are often contradictory and are subject to frequent changes, which gives rise to the risk of unpredictability as to the conduct of tax authorities and the instability of tax legislation in Poland.

➤ **Risk associated with competitors**

The sector in which the Issuer operates features exceptionally dynamic growth. This mainly results from changes in legal regulations pertaining to environmental protection and laws concerning waste (both Polish and EU legislation), which force the disposal of harmful waste, materials and substances in a specific manner. A further growth aspect is the growing ecological awareness of the society, which results in higher demand for waste disposal services. The dynamic development of the market in which the Issuer operates is directly raising its appeal,

attracting new entities, both domestic and foreign.

The stronger competition may in the future force the need to develop new solutions for waste disposal and to take necessary steps to generate sales at an appropriate level, e.g. by lowering the prices of solutions and services or running additional marketing campaigns. These activities may have an adverse impact on the Issuer's growth dynamic and further development perspectives. According to the Issuer, competition on the waste disposal market is currently considerable, which is why it cannot be ruled out that the Issuer's competitors in the future will introduce similar or better or cheaper waste disposal solutions. These actions may erode the Issuer's margins, which would have a direct impact on the Issuer's financial results.

According to the Issuer, the materiality of the above factors is low because if they materialise the scale of the adverse impact on the Issuer's financial and operational situation would be very limited. The materialisation of this risk may reduce the Issuer's revenue and profitability. The Issuer assesses the probability of this risk materialising as medium.

➤ **Currency risk**

The core business of the Issuer does not give rise to currency risk. The Issuer has debt expressed in PLN only. The Issuer has signed cooperation agreements with foreign entities concerning waste management, with remuneration expressed in EUR. Taking into account the considerable diversification of waste suppliers, the Issuer's Management Board assesses that currency risk is insignificant.

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

The Issuer's business is highly regulated by relevant provisions of law and requires the appropriate permits. The functioning of the various waste recovery facilities and alternative fuels production plants requires permits from the marshal of each voivodship and the starosta of each powiat where the Issuer's facilities are located. At the date of this report, the Company holds all of the key essential permits for its on-going operations. The lack of relevant and valid permits would be equivalent to the necessity to cease operations and the risk of administrative penalties being imposed on the Issuer. The Issuer sees this risk as very significant. The rescission of any significant permit would threaten the core business of the Issuer and therefore could result in the loss of revenue from this source.

➤ **Risk associated with social discontent with the Issuer's business**

The Issuer's waste management business is difficult for local communities and ecological organisations to accept and it causes social displeasure among people living within a short distance from the Issuer's facilities. Complaints from residents are related to noise, heavy truck traffic and concerns about ecological threats, air, land and groundwater pollution. Despite holding permits, approvals, patents and certificates related to its business and in spite of efforts to ensure that its facilities' operations are not burdensome for nearby residents, the Issuer may not rule out negative impact from these complaints on the Company's image. Mo-BRUK S.A. takes local community objections seriously and strives to have a clear policy of informing the society about the consequences of its business. Nonetheless, social reactions are fuelled typically during elections every four years.

➤ **Risk of environmental damages**

Operations related to waste processing give rise to the risk of environmental damages. Such damage may occur due to an unintentional human error or intentional act of sabotage. The materialisation of this risk may result in the Company having to incur additional substantial costs, such as costs related to repairing the damages, interruptions in the Issuer's operations and potential administrative penalties.

The Issuer has not been found to have caused environmental damage in the past.

According to the Issuer, the materiality of the above factors is medium because if they materialise the scale of the adverse impact on the Issuer's financial and operational situation would be limited. The Issuer assesses the probability of this risk materialising as low.

➤ **Risk associated with transactions within the Issuer's Group**

Tax laws require the Issuer (Mo-BRUK S.A.) and its subsidiary (Raf-Ekologia Sp. z o.o.) to apply market-level transaction prices in intra-group transactions. The prices applied in intra-group transactions may be questioned by tax authorities if they diverge from market prices. In order to reduce this risk, the Issuer and its subsidiary pay particular attention to ensuring that the prices in their contractual relations are the same as market prices.

➤ **Risk of losing key suppliers**

Ensuring the continuity of waste supply for disposal and further for the production of alternative fuel is a very important element of the Issuer's business. Any contract terminations by entities supplying waste (most often municipal waste disposal companies) would be a highly unfavourable event that could cause difficulties in the proper functioning of the Issuer and lead to a significant deterioration in its financial results. Given the fact that there is a large number of such entities on the market, the Issuer is able to acquire new customers in a short to medium time-frame.

➤ **Risk associated with the loss of alternative fuel customers and pressure on margins in this segment**

The Issuer's alternative fuel is sold to cement plants. Problems with timely deliveries or product quality may be cause for terminating contracts by a group of customers or for a reduction in volumes purchased. This would mean that the Issuer would be forced to reduce the production of alternative fuels and thus reduce the quantity of accepted waste, which would directly decrease the Issuer's revenue and results. Moreover, from 2019 alternative fuel buyers in Poland expect to be paid for fuel delivered by producers. Prior to that, it was the cement plants that paid for the fuel. Despite these market changes, the Issuer is generated satisfactory margins in this segment, however further pressure on the part of alternative fuel buyers (cement plants) to increase fees for fuel may have an adverse impact on this segment's margins.

In the past, there were singular cases where buyers of alternative fuel questioned the quality of the fuel, although this has never ended in the loss of a customer.

According to the Issuer, the materiality of the above factors is high because if they materialise the scale of the adverse impact on the Issuer's financial and operational situation would be significant. The materialisation of this risk may reduce the Issuer's revenue and profitability. The Issuer assesses the probability of this risk materialising as medium.

➤ **Risk associated with failure to comply with listed-company information obligations**

Companies listed on the WSE's regulated market are obligated to comply with information obligations, including the disclosure of current and periodic information to the Polish Financial Supervision Authority and the entity operating the market, in accordance with the relevant provisions of the Act on Public Offerings and secondary regulations issued on this basis. Failure to comply with these obligations or improper compliance with these obligations by a listed company could result in the Polish Financial Supervision Authority issuing a decision to remove securities from regulated-market trading either temporarily or permanently or impose a monetary penalty - taking into account the financial situation of the entity being penalised - of up to PLN 1 000 000.00, or apply both of these sanctions together (art. 96 sec. 1 point 1 of the Act on Public Offerings). Moreover, in accordance with art. 98 sec. 7 of the Act on Public Offerings, the Issuer and the entity that participated in preparing the information referred to in art. 56 sec. 1 of the Act on Public Offerings, are required to redress the damage caused by disclosure of untrue information to the public or concealment of information, unless they or the persons for whom they are responsible are not at fault. Due to the fact that since 2010 the Issuer was a company whose shares were listed in the alternative trading system NewConnect and from 2012 on the WSE's regulated market, where it implements regular information policy including both periodic and current events having an impact on its business, the Issuer is to a lesser degree exposed to the risk of failing to comply with listed-company obligations.

The Issuer will make every effort to comply with its information obligations. However, it cannot be ruled out that as a result of an unfavourable turn of events the information obligations might be performed incorrectly, which would in turn expose the Issuer to the sanctions specified in the Act on Public Offerings, which could impact the Issuer's financial results or cause a disruption in the trade of its shares.

The Issuer notes that in performing its information obligations in the past the Company did not face any sanctions related to the incorrect performance of information obligations.

25. Significant events having material impact on Mo-BRUK S.A.'s activities and financial results in the financial year or potentially having impact in subsequent years

Risk associated with COVID-19

Initial reports about the coronavirus emerged from China at the end of 2019. The virus spread around the world in the first months of 2020, and its negative impact escalated.

The Management Board is continuously working on safeguards against COVID-19. Educational activities are carried out among the employees, customers and suppliers to reduce the risk of spreading the virus.

The Management Board sees potential risk in the introduction of a quarantine at the Company's

facilities or at key suppliers. The introduction of a quarantine could disrupt waste supplies to our branches and ultimately have a negative impact on our financial results.

Although when this report was published, the situation was still evolving, the Management Board has so far not seen any negative impact on sales or supply chain, but it is unable to predict future impact.

The Management Board is continuously monitoring the situation and its impact on the economy. It is constantly read to act to alleviate any negative effects for the Company.

Legal changes in waste management permits

The Issuer's business is highly regulated by relevant provisions of law and requires appropriate permits. The functioning of the various waste recovery facilities and alternative fuels production plants requires permits from the marshal of each voivodship and the starosta of each powiat where the Issuer's facilities are located.

The Issuer confirms that all of the Company's facilities meet the requirements arising from the Act of 29 July 2018 on amendment of the act on waste and certain other acts (Polish Journal of Laws of 2018, item 1592) and in connection with this the Issuer submitted on time - by 5 March 2020 - applications to the relevant authorities for changes in the waste management permits, compliant with the requirements of the aforementioned act, and that none of the proceedings concerning these applications to change waste management permits ended with refusal by the entity conducting the proceeding or was left unexamined.

26. Management Board statement on application of corporate governance rules

26.1. Set of corporate governance rules applicable to the company and place where these rules are publicly available

Mo-BRUK S.A.'s Management Board strives to apply corporate governance rules in order to maintain optimal communication with investors.

In 2020, Mo-BRUK S.A. and its corporate bodies were subject to "Good Practices for WSE-Listed Companies 2016," a set of corporate governance rules adopted by the WSE's Board through resolution no. 26/1413/2015 of 13 October 2015 (as amended).

The consolidated text of "Good Practices for WSE-Listed Companies 2016" constitutes an appendix to Resolution no. 2 of the WSE's Board of 13 October 2015 regarding amendments to "Good Practices for WSE-Listed Companies 2016," which became effective on 1 January 2016. These corporate governance rules are available at <https://www.gpw.pl/dobre-praktyki>. Mo-BRUK observes most of the corporate governance rules listed in "Good Practices for WSE-Listed Companies 2016." The extent to which the Company departed from the provisions of Good Practices for WSE-Listed Companies, along with indication of these provisions and reasons for the departure constitute a separate statement (appendix no. 1), which is an integral part of this report.

26.2. Description of key features of the company's internal control and risk

management systems in reference to the preparation of separate and consolidated financial statements

The Issuer's Management Board is responsible for the internal control system and its effectiveness. The internal control and risk management system in reference to the preparation of financial statements is based on Mo-BRUK S.A.'s procedures for drawing up and approving financial statements. The system makes it possible to monitor liabilities as well as control costs and results on an on-going basis. The financial data constituting the basis for financial statements and periodic reports is derived from SAP Business One, where documents are recorded in accordance with the Company's IAS-compliant accounting policy.

Financial statements are prepared by financial and accounting personnel at the direction of the Issuer's Chief Accountant and are subsequently verified by the Finance Director and finally approved by the Management Board.

Once approved by the Management Board, financial statements are audited by a statutory auditor selected by the Company's Supervisory Board. Next, in accordance with § 23 sec. 2 letter a) of the Company's Articles of Association, the Supervisory Board - at the recommendation of the Audit Committee - each year evaluates the audited financial statements of the Company and the Group as to their consistency with accounting books, documents and the facts, and provides the results of this assessment to shareholders in its annual report.

The Issuer monitors on an on-going basis changes resulting from external laws and regulations pertaining to stock-market reporting requirements and prepares for their introduction sufficiently in advance.

26.3. List of shareholders directly or indirectly holding significant stakes, along with the number of shares held by these entities, their percentage share in capital, number of votes and their percentage share in total votes at the company's general meeting

The following table presents Mo-BRUK S.A.'s shareholding structure as per the Issuer's knowledge, as at the date on which the 2020 annual report was published.

Shareholder	Number of shares	Share of capital	Number of general meeting votes	Share of general meeting votes	Share in total number of votes
Ginger Capital Sp. z o.o. ²⁾	1 229 838	35.01%	1 932 480	45.84%	45.84%
Value FIZ	836 206 ¹⁾	23.80%	836 206	19.84%	19.84%
Other	1 446 841	41.19%	1 446 841	34.32%	34.32%
TOTAL:	3 512 885	100.00%	4 215 527	100.00%	100.00%

Source: Issuer

¹⁾ own calculations, based on information known to the Issuer.

²⁾ on 2 July 2020, Lamosville Investments Sp. z o.o. changed its name to Ginger Capital Sp. z o.o.

On 23 February 2021, the Issuer received a notification from *Nederlanden Otwarty Fundusz Emerytalny* stating that *Nederlanden Otwarty Fundusz Emerytalny* had decreased its stake in the Company to below 5% of votes at the Company's General Meeting.

On 4 December 2020, the Issuer received a notification from *Ginger Capital Sp. z o.o.* stating that on 1 December 2020 *Ginger Capital Sp. z o.o.* sold 702 577 shares in *Mo-BRUK S.A.*'s share capital, i.e. 702 577 ordinary bearer shares series B, constituting 20% of share capital and representing 702 577 votes at *Mo-BRUK*'s General Meeting, which constituted 16.67% of total votes, as a result of shares being recorded in the securities accounts of retail and institutional investors that were sold by the Company in a public offering of *Mo-BRUK*'s shares (transaction settlement) carried out on the basis of *Mo-BRUK*'s prospectus approved by the Polish Financial Supervision Authority on 17 November 2020 ("Sale"). In connection with the above, *Ginger Capital Sp. z o.o.*'s share in votes at *Mo-BRUK*'s general meeting decreased to 45.84% of total votes.

Prior to the Sale, *Ginger Capital Sp. z o.o.* had held 1 932 415 shares of *Mo-BRUK*, i.e. 702 642 series A registered preference shares (two votes per one share), constituting 20.00% of share capital and representing 1 405 284 votes at *Mo-BRUK*'s General Meeting, which constituted 33.34% of total votes, 1 227 936 series B ordinary bearer shares, constituting 34.96% of share capital and representing 1 227 936 votes at *Mo-BRUK*'s General Meeting, which constituted 29.13% of total votes, and 1 837 series C ordinary bearer shares, constituting 0.05% of share capital and representing 1 837 votes at *Mo-BRUK*'s General Meeting, which constituted 0.04% of total votes, i.e. 1 932 415 shares in total, constituting 55.01% of share capital and representing 2 635 057 votes at *Mo-BRUK*'s General Meeting, i.e. 62.51% of total votes.

Following to the Sale, *Ginger Capital Sp. z o.o.* held 1 229 838 shares of *Mo-BRUK*, i.e. 702 642 series A registered preference shares (two votes per one share), constituting 20.00% of share capital and representing 1 405 284 votes at *Mo-BRUK*'s General Meeting, which constituted 33.34% of total votes, 525 359 series B ordinary bearer shares, constituting 14.96% of share capital and representing 525 359 votes at *Mo-BRUK*'s General Meeting, which constituted 12.46% of total votes, and 1 837 series C ordinary bearer shares, constituting 0.05% of share capital and representing 1 837 votes at *Mo-BRUK*'s General Meeting, which constituted 0.04% of total votes, i.e. 1 229 838 shares in total, constituting 35.01% of share capital and representing 1 932 480 votes at *Mo-BRUK*'s General Meeting, i.e. 45.84% of total votes.

Ginger Capital Sp. z o.o.'s subsidiaries do not hold any *Mo-BRUK* shares.

On 3 December 2020, a notification was received from *AgioFunds Towarzystwo Funduszy Inwestycyjnych SA* ("*AgioFunds*"), acting on behalf of investment fund *Value Fundusz Inwestycyjny Zamknięty* ("*Fund*"), that are a result of a transaction on the regulated market on 30 November 2020 the Fund sold shares in *Mo-BRUK S.A.*, as a result of which the stake in the Company's votes held by investment funds managed by *AgioFunds* declined to below the 20% threshold in the Company's total votes.

Prior to the transaction, the Fund directly held 1 519 483 shares of the Company, representing 43.25% of the Company's share capital and carrying 1 519 483 votes at the General Meeting, which constituted 36.04% of total votes at the Company's General Meeting.

Before the aforementioned change, other funds managed by *AgioFunds* did not hold shares of

the Company.

Before the change, other funds managed by AgioFunds did not indirectly hold shares of the Company.

Following to the transaction, the Fund directly held 816 906 shares of the Company, representing 23.25% of the Company's share capital and carrying 816 906 votes at the General Meeting, which constituted 19.38% of total votes at the Company's General Meeting.

Following to the transaction, other funds managed by AgioFunds indirectly held 19 300 shares of the Company, representing 0.55% of the Company's share capital and carrying 19 300 votes at the General Meeting, which constituted 0.46% of total votes at the Company's General Meeting.

Funds managed by AgioFunds do not indirectly hold shares of the Company.

Following to the transaction, the Fund and other funds managed by AgioFunds together held 836 206 shares of the Company, representing 23.80% of the Company's share capital and carrying 836 206 votes at the General Meeting, which constituted 19.84% of total votes at the Company's General Meeting.

Following the settlement of the above transaction, AgioFunds holds 836 206 votes at the Company's General Meeting, which constitutes a 19.84 share of votes at the Company's General Meeting.

On 3 December 2020 the Issuer received a notification from Nationale-Nederlanden Otwarty Fundusz Emerytalny ("OFE") stating that as a result of a purchase of Mo-BRUK S.A. shares in a transaction on the WSE on 30 November 2020, OFE increased its stake in the Company to over 5% of votes at the Company's General Meeting.

At the same time, pursuant to art. 87 sec. 1 point 2b of the aforementioned act, OFE announced that as a result of this transaction funds managed by Nederlanden Powszechnie Towarzystwo Emerytalne SA: Nationale-Nederlanden Otwarty Fundusz Emerytalny, Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2025, Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2030, Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2035, Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2040, Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2045, Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2050, Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2055, Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2060 ("Funds") increased their total stake in the Company to more than 5% of votes at the Company's General Meeting

Prior to settling the aforementioned transaction, neither OFE nor the Funds held any shares in the Company.

As a result of settling the aforementioned transaction, OFE increased its stake in the Company's share capital and votes to 6.11% and 5.09%, respectively.

As a result of settling the aforementioned transaction, OFE together with the Funds increased their stake in the Company's share capital and votes to 6.32% and 5.27%, respectively.

On 22 June 2020, the Issuer received notice from Józef Mokrzycki, Elżbieta Mokrzycka, Anna Mokrzycka-Nowak, Wiktor Mokrzycki and Tobiasz Mokrzycki ("Mokrzycki family") on the contribution of 1 932 415 shares in Mo-BRUK S.A., i.e. (a) 702 642 series A registered

preference shares (two votes per one share), (b) 1 227 936 series B ordinary bearer shares and (c) 1 837 series C ordinary bearer shares, together constituting 54.09% in share capital and representing 2 635 057 votes at the Company's General Meeting, i.e. 61.46% of total votes, as an in-kind contribution to its subsidiary Lamosville Investments sp. z o.o., entered in the register of companies at the National Court Register under KRS number 829794 in connection with in-kind contributions being made as payment for newly-issued shares in Lamosville (pursuant to a resolution by Lamosville's Extraordinary General Meeting on 16 June 2020), thereby decreasing the Mokrzycki family's stake in the Company's votes to below the 5% threshold.

At the same time, the Mokrzycki family announced that on 17 and 18 June 2020, in exchange for an in-kind contribution, it purchased indirectly through subsidiary Lamosville 1 932 415 shares of the Company, i.e. 702 642 series A registered preference shares (two votes per share), 1 227 936 series B ordinary bearer shares and 1 837 series C ordinary bearer shares, together constituting 54.09% of share capital and representing 2 635 057 votes at the Company's General Meeting, i.e. 61.46% of total votes.

Prior to the in-kind contribution, the Mokrzycki family directly held 702 642 series A registered preference shares (two votes per one share), constituting 19.67% of share capital and representing 1 405 284 votes at the General Meeting, i.e. 32.87% of total votes, 1 227 936 series B ordinary bearer shares, constituting 34.37% of votes and representing 1 227 936 votes at the General Meeting, i.e. 28.72% of total votes, and 1 837 series C ordinary bearer shares, constituting 0.05% of share capital and representing 1 837 votes at the General Meeting, i.e. 0.04% of total votes, i.e. in total 1 932 415 shares of the Company, constituting 54.09% of share capital and representing 2 635 057 votes at the Company's General Meeting, i.e. 61.46% of total votes.

Following the in-kind contribution, the Mokrzycki family did not directly hold any shares of the Company but indirectly held:

a) through Mo-BRUK (which holds own shares): 12 090 series A registered preference shares (two votes per one share), constituting 0.34% of share capital and representing 24 180 votes at the General Meeting, i.e. 0.57% of total votes, 21 156 series B ordinary bearer shares, constituting 0.59% of votes and representing 21 156 votes at the General Meeting, i.e. 0.49% of total votes, and 26 754 series C ordinary bearer shares, constituting 0.75% of share capital and representing 26 754 votes at the General Meeting, i.e. 0.63% of total votes, i.e. in total 60 000 shares of the Company, constituting 1.68% of share capital and representing 72 090 votes at the Company's General Meeting, i.e. 1.68% of total votes, and

b) through Ginger Capital Sp. z o.o. (on 2 July 2020, Lamosville Investments Sp. z o.o. changed its name to Ginger Capital Sp. z o.o.): 1 932 415 shares, i.e. 702 642 series A registered preference shares (two votes per one share), constituting 19.67% of share capital and representing 1 405 284 votes at the General Meeting, i.e. 32.87% of total votes, 1 227 936 series B ordinary bearer shares, constituting 34.37% of votes and representing 1 227 936 votes at the General Meeting, i.e. 28.72% of total votes, and 1 837 series C ordinary bearer shares, constituting 0.05% of share capital and representing 1 837 votes at the General Meeting, i.e. 0.04% of total votes, i.e. in total 1 932 415 shares of the Company, constituting 54.09% of share

capital and representing 2 635 057 votes at the Company's General Meeting, i.e. 61.46% of total votes.

On 22 June 2020, the Issuer received information from Lamosville Investments sp. z o.o., entered in the register of companies at the National Court Register under KRS number 829794 ("Lamosville") stating that on 17 and 18 June 2020 Lamosville acquired 1 932 415 shares of Mo-BRUK S.A. in the form of in-kind contributions, i.e. 702 642 series A registered preference shares (two votes per share), 1 227 936 series B ordinary bearer shares and 1 837 series C ordinary bearer shares, together constituting 54.09% of share capital and representing 2 635 057 votes at the Company's General Meeting, i.e. 61.46% of total votes.

Prior to the in-kind contribution, Lamosville Investments did not hold any shares in Mo-BRUK S.A.

Following to the in-kind contribution, Lamosville directly held 1 932 415 shares of Mo-BRUK, i.e. 702 642 series A registered preference shares (two votes per one share), constituting 19.67% of share capital and representing 1 405 284 votes at the General Meeting, i.e. 32.87% of total votes, 1 227 936 series B ordinary bearer shares, constituting 34.37% of votes and representing 1 227 936 votes at the General Meeting, i.e. 28.72% of total votes, and 1 837 series C ordinary bearer shares, constituting 0.05% of share capital and representing 1 837 votes at the General Meeting, i.e. 0.04% of total votes, i.e. in total 1 932 415 shares of the Company, constituting 54.09% of share capital and representing 2 635 057 votes at the Mo-BRUK's General Meeting, i.e. 61.46% of total votes.

Furthermore, through its subsidiary Mo-BRUK, Lamosville held 12 090 series A registered preference shares (two votes per one share), constituting 0.34% of share capital and representing 24 180 votes at the General Meeting, i.e. 0.57% of total votes, 21 156 series B ordinary bearer shares, constituting 0.59% of votes and representing 21 156 votes at the General Meeting, i.e. 0.49% of total votes, and 26 754 series C ordinary bearer shares, constituting 0.75% of share capital and representing 26 754 votes at the General Meeting, i.e. 0.63% of total votes, i.e. in total 60 000 shares of the Company, constituting 1.68% of share capital and representing 72 090 votes at the Company's General Meeting, i.e. 1.68% of total votes.

26.4. List of holders of any securities with special control rights, including a description of these rights

Ginger Capital Sp. z o.o. holds 702 642 series A shares; these are preference shares as to votes, with each share carrying two votes at the Company's General Meeting pursuant to § 7 sec. 2 of the Company's Articles of Association.

26.5. Indication of any restrictions in exercising voting rights, such as restrictions in

exercising voting rights by holders of a certain proportion or number of votes, time restrictions in exercising voting rights or provisions according to which, with the company's cooperation, equity rights related to securities are separated from the ownership of securities

The Issuer's Articles of Association do not include restrictions in exercising voting rights or provisions according to which, with the Company's cooperation, equity rights related to securities would be separated from the ownership of securities. In the Issuer's case, restrictions on the exercise of votes may result solely from applicable laws.

26.6. Restrictions in transferring ownership of the Issuer's securities

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

26.7. Description of rules for appointing and dismissing management persons, and their authorisations, especially the right to decide on share issues and redemptions

Pursuant to § 12 of the Articles of Association, the Company's Management Board consists of between one and five members, appointed and dismissed by the Supervisory Board. The term of the Management Board members is set by the Supervisory Board and it cannot exceed five years. Moreover, the Supervisory Board sets the number of Management Board members and selects the President and Vice-Presidents from among them. The mandates of Management Board members expire on the date of the General Meeting that approves financial statements for the last full financial year of serving as a member of the Management Board. Management Board Members may be appointed for further terms.

On 25 February 2020, the Supervisory Board adopted a resolution to re-appoint the President and Vice-Presidents of the Company's Management Board for a new term, which began on 1 May 2020 and will last five years.

In accordance with § 13 of the Company's Articles of Association and § 6 of the Management Board Regulations, the Management Board, headed by the President, manages the Company and represents it externally. The Management Board President directs the work of the Management Board, is responsible for properly organising the work of the Management Board and implements resolutions passed by the Management Board and other corporate bodies of the Company. The Management Board President performs the function of a workplace director. In the absence of the Management Board President, his/her function is performed by a Vice-President of the Management Board or a person duly authorised by the Management Board President, and in the event of the death of the Management Board President, his/her duties are performed by the oldest Vice-President of the Management Board until the Supervisory Board appoints a new person for that position.

Pursuant to § 16 of the Company's Articles of Association, if the Management Board consists of

multiple persons, the President of the Management Board is authorised to make declarations of will and sign on behalf of the Company independently, while Management Board members performing other functions on the Company's Management Board then the Management Board President can do so by acting jointly (two people).

On 24 June 2019, the Ordinary General Meeting adopted resolution 20/2019 on authorisation for the Management Board to purchase up to 450 000 own shares on behalf of the Company, i.e. 12.5% of the Company's share capital, with a total nominal amount of up to PLN 4 500 000, by 31 December 2020 or until the funds intended for the purchase of own shares are used up. Only shares that are fully paid-up may be purchased.

The purchase price may not be lower than PLN 80 and higher than PLN 200 per share.

The total purchase price, including the cost of purchase, over the course of the authorisation may not exceed the reserve capital formed for this purpose.

Own shares purchased by the Company may be cancelled.

26.8. Description of rules for amending the Issuer's articles of association or founding agreement

Mo-BRUK S.A.'s Articles of Association in its current wording do not include provisions on changes to the Articles of Association other than those resulting from the Polish Commercial Companies Code.

In accordance with art. 430 of the Polish Commercial Companies Code, a change of the Articles of Association requires a General Meeting resolution and a register entry. A General Meeting resolution on the change of the Articles of Association requires a $\frac{3}{4}$ majority of votes cast – art. 415 of the Polish Commercial Companies Code.

26.9. Operation and key competences of the general meeting, description of shareholder rights and ways of exercising these, in particular rules resulting from the general meeting regulations, if these regulations are in place, unless information on this results directly from legal regulations

Mo-BRUK S.A.'s general meetings are held in accordance with rules specified in the Polish Commercial Companies Code, Articles of Association and General Meeting Regulations and do not diverge from the rules applied by other WSE-listed companies. In particular, aside from shareholders, the General Meeting may be attended by members of the Issuer's Management Board and Supervisory Board. At the invitation of the corporate body convening the General Meeting, other persons, especially statutory auditors and experts, may participate in the General Meeting or a part of it, provided that their attendance is intended to present their opinions to the General Meeting participants on the matters being examined. Such persons may also be invited on an ad hoc basis by the Management Board and the Chairperson and may participate only in a part of the General Meeting.

The General Meeting is convened in accordance with the procedures and rules arising from applicable laws. This means that a General Meeting notice is published on Mo-BRUK S.A.'s website (www.mobruk.pl) not later than 26 days before the General Meeting date. Moreover, pursuant to § 19 of the Regulation on current and periodic information, the Company discloses in a current report all information related to the General Meeting such as is required under the Regulation.

Shareholders holding Mo-BRUK S.A.'s shares on the 16th day prior to the General Meeting date, i.e. record date, are authorised to participate in the General Meeting. The basis for authorising a shareholder to participate in the General Meeting constitutes that shareholder's entry in a register provided to the Issuer by Krajowy Depozyt Papierów Wartościowych S.A. not later than one week before the General Meeting date.

General Meetings are held at the Issuer's registered office or at another location in Poland. The organisation and conduct of Ordinary and Extraordinary General Meetings are governed by the Issuer's General Meeting Regulations.

Pursuant to § 33 of the Issuer's Articles of Association, the Ordinary General Meeting agenda includes:

- a) examining and approving the Management Board report on the Company's activities and financial statements for the previous financial year,
- b) adopting a resolution on the allocation of profit or coverage of loss,
- c) granting a vote of approval to members of the Company's governing bodies,

Furthermore, the following matters require a General Meeting resolution:

- a) amendment of the Company's Articles of Association,
- b) merger with another company and transformation of the Company,
- c) dissolution and liquidation of the Company,
- d) issue of convertible bonds and bonds with pre-emptive rights,
- e) sale and lease of the Company's enterprise or an organised part thereof, establishment of a limited property right thereon,
- f) decisions concerning claims for compensation for damage caused in the formation of the Company or in the exercise of management or supervision,
- g) appointment and dismissal of Supervisory Board members; a Supervisory Board member may be dismissed at any time,
- h) execution by the Company of a credit, loan, surety or similar agreement with a member of the Management Board, Supervisory Board, proxy, liquidator or for any of these persons.

If the General Meeting adopts a resolution to allocate a part or all of the profit to a payment to shareholders, this resolution states the date on which the list of shareholders entitled to a dividend for the financial year is drawn up (record date) and the payment date, which should be set so that the time between them is no longer than 15 business days, unless the General Meeting resolution states otherwise. Setting a longer period between these dates must be justified.

Moreover, the General Meeting adopts resolutions to increase or decrease share capital, including:

- a) share capital increase out of the Company's funds,
- b) authorisation for the Company's Management Board to execute one or more share capital increases on the terms specified in General Meeting resolutions (target capital),
- c) conditional share capital increase in order to award rights to take up shares by the holders of convertible bonds or bonds with pre-emptive rights or to award rights to shares to employees, members of the Management Board and Supervisory Board in exchange for in-kind contributions in the form of debt that they are entitled to due to vested rights to a share of profit of the Company or subsidiary.

In accordance with Mo-BRUK S.A.'s General Meeting Regulations, shareholders have the following rights in particular:

- a) Right to participate in the General Meeting,
- b) Right to vote at the General Meeting, either in person or through attorneys (other representatives),
- c) Right to stand for the Chairperson of the General Meeting,
- d) Every shareholder has the right to submit proposed changes and supplements to draft resolutions included on the General Meeting agenda - until discussion on the agenda item concerning the draft resolution in the proposal ends.

26.10. Description of the company's management, supervisory and administrative bodies and their committees, indication of composition and changes during the most recent financial year

Management Board

Pursuant to § 12 of the Company's Articles of Association, the Management Board consists of between one and five members, appointed and dismissed by the Supervisory Board. The term of the Management Board members is set by the Supervisory Board and it cannot exceed five years. Moreover, the Supervisory Board sets the number of Management Board members and selects the President and Vice-Presidents from among them. The mandates of Management Board members expire on the date of the General Meeting that approves financial statements for the last full financial year of serving as a member of the Management Board.

In accordance with § 13 of the Company's Articles of Association and § 6 of the Management Board Regulations, the Management Board, headed by the President, manages the Company and represents it externally. The Management Board President directs the work of the Management Board, is responsible for properly organising the work of the Management Board and implements resolutions passed by the Management Board and other corporate bodies of the Company. The Management Board President performs the function of workplace director. The scope of activities of the Management Board includes all matters pertaining to the running of the Company not reserved for the General Meeting or the Supervisory Board.

Pursuant to § 16 of the Company's Articles of Association, if the Management Board consists of multiple persons, the President of the Management Board is authorised to make declarations of

will and sign on behalf of the Company independently, while Management Board members performing other functions on the Company's Management Board then the Management Board President can do so by acting jointly (two people).

Moreover, in accordance with the provisions of the Management Board Regulations, the Management Board adopts resolutions on matters provided for by law and the Articles of Association, with the stipulation that resolutions whose adoption requires consent from the Company's General Meeting Supervisory Board may be adopted after obtaining such consent. Management Board members oversee and are responsible for the work of the Company's divisions and organisational units subordinate to them in accordance with the adopted division of work, and also coordinate the work of these units with the entire work of the Company.

During the reporting period (and until the date this report was prepared) the composition of the Issuer's Management Board did not change and was as follows:

Józef Mokrzycki	President of the Management Board
Elżbieta Mokrzycka	Vice-President of the Management Board
Anna Mokrzycka-Nowak	Vice-President of the Management Board
Wiktor Mokrzycki	Vice-President of the Management Board
Tobiasz Mokrzycki	Vice-President of the Management Board

On 25 February 2020, the Supervisory Board adopted a resolution to re-appoint the President and Vice-Presidents of the Company's Management Board for a new term, which began on 1 May 2020 and will last five years.

Supervisory Board

In accordance with § 19 of the Company's Articles of Association and § 2 of the Supervisory Board Regulations, the Supervisory Board consists of 5-7 members, including the Supervisory Board Chairperson, appointed by the General Meeting for a two-year term. The mandates of Supervisory Board members expire on the date of the General Meeting that approves financial statements for the last full financial year of the Supervisory Board term.

The work of the Supervisory Board is directed by the Chairperson or, in the absence of the Chairperson, the oldest Supervisory Board member. Supervisory Board members select from among themselves the Chairperson at the first meeting of the new term.

Supervisory Board meetings are held as necessary but at least three times per financial year. Supervisory Board meetings may be convened by the Chairperson at his/her initiative, at the request of the Management Board or at the request of any Supervisory Board members, in which case the meeting should be held within two weeks from the receipt of such a request.

The Supervisory Board may adopt resolutions in writing or by means of direct remote communication. For Supervisory Board resolutions to be valid, all Supervisory Board members must have been invited and at least half of the Supervisory Board members must attend the meeting. Supervisory Board resolutions are adopted by a simple majority of votes cast. If a vote is inconclusive, the Chairperson has the deciding vote and, in the absence of the Chairperson, the oldest Supervisory Board member.

In accordance with § 23 of the Company's Articles of Association, the Supervisory Board carries out continuous oversight of the Company's activities in all of its business areas.

Within its competences, the Supervisory Board is required to consult the Audit Committee on all matters relating to the Company's finances, internal control and risk management; moreover, the Audit Committee recommends to the Supervisory Board an entity authorised to audit financial statements to conduct financial review activities for the entity.

Supervisory Board members perform their functions against payment or free of charge on the terms set out in a General Meeting resolution.

Until 3 March 2020, the Issuer's Supervisory Board was composed as follows:

Kazimierz Janik	Chairperson of the Supervisory Board
Jan Basta	Member of the Supervisory Board
Norbert Nowak	Member of the Supervisory Board
Piotr Pietrzak	Member of the Supervisory Board
Konrad Turzański	Member of the Supervisory Board

An Extraordinary General Meeting of Mo-BRUK S.A. was held on 3 March 2020, where, pursuant to §19 of the Company's Articles of Association, resolution no. 4/2020 was adopted, appointing Mr. Piotr Skrzyński as Member of the Supervisory Board.

When Mr. Piotr Skrzyński was appointed to the Supervisory Board, Mr. Norbert Nowak ceased acting as Supervisory Board Member.

At the date on which this report was prepared, the Supervisory Board was composed as follows:

Kazimierz Janik	Chairperson 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 Issuer's Audit Committee operates on the basis of the Act of 11 May 2017 on statutory auditors, audit firms and public oversight (Polish Journal of Laws of 2017, item 1089).

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

The Audit Committee term is joint for its Members and is the same as the Supervisory Board term.

The aim of the Audit Committee is to advise the Supervisory Board on matters pertaining to separate and consolidated financial reporting, internal control and risk management, and to work with statutory auditors.

The Audit Committee's tasks include:

1. Monitoring the financial reporting process,
2. Monitoring the performance of internal control, risk management and internal audit systems as regards financial reporting,
3. Monitoring the performance of financial review activities (in particular audits by the audit firm, taking into account all conclusions and findings of the Audit Supervision Commission resulting from inspections carried out at the audit firm),
4. Inspecting and monitoring the independence of the statutory auditor and audit firm, especially when non-audit services are provided to the Company,
5. Informing the Supervisory Board about audit results and explaining how the audit contributed to the reliability of financial reporting,
6. Evaluating the independence of the statutory auditor and allowing the statutory auditor to provide non-audit services,
7. Formulating a policy for selecting an audit firm to audit financial statements,
8. Formulating a policy for the provision of non-audit services by the audit firm performing the audit, by entities related to the audit firm and by members of the audit firm's network,
9. Defining a procedure for selecting the Company's audit firm,
10. Presenting to the Supervisory Board recommendations pertaining to the selection of an audit firm authorised to audit the financial statements of Mo-BRUK S.A. and Mo-BRUK Group in accordance with the policies mentioned in points 7 and 8,
11. Obtaining from the audit firm the additional report referred to in art. 11 of Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC,
12. Providing recommendations intended to ensure the reliability of the Company's financial reporting process,

At the date on which this report was prepared, the Audit Committee was composed as follows:

Piotr Pietrzak
Jan Basta
Kazimierz Janik

Chairperson of the Audit Committee,
Member of the Audit Committee,
Member of the Audit Committee.

26.11. Detailed information on the Audit Committee and audit firm selection and work

Persons fulfilling statutory independence criteria

All members of the Audit Committee, i.e. Piotr Pietrzak, Kazimierz Janik and Jan Basta, meet the independence criteria for an independent member of the Audit Committee specified in the Act on statutory auditors, audit firms and publish oversight of 11 May 2017 (Polish Journal of Laws of 2017, item 1089) and in § 2 sec. 5 of the Audit Committee Regulations of Mo-BRUK S.A.

Persons possessing knowledge and skills in accounting or audits of financial statements, including information on how these were acquired

Chairperson Piotr Pietrzak has knowledge and skills in accounting or audits of financial statements due to his education, experience and many years of professional practice.

Mr. Piotr Pietrzak is managing partner at early-stage venture capital firm Star Finder, the main investment focus of which is engineering technologies, natural sciences and IT technologies. He has years of experience in venture capital investments, corporate finance advisory, mergers and acquisitions in particular. He has 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 in Finance and Banking. He was on a scholarship at Universiteit van Tilburg in the Netherlands, studying international finance.

Persons possessing knowledge and skills in the industry in which the Issuer operates, including information on how these were acquired

Mr. Piotr Pietrzak, Mr. Kazimierz Janik and Mr. Jan Basta possess knowledge and skills in the industry in which the Issuer operates that they acquired in their professional careers and while serving as members of the Supervisory Board. Detailed information on the qualifications and experience of Audit Committee members is available on the Issuer's website (www.mobruk.pl).

Information on whether the audit firm auditing the Issuer's financial statements provided permitted non-audit services to the Issuer and whether an independence assessment was performed on this audit firm and consent was given for these services

The audit firm auditing Mo-BRUK S.A.'s financial statements, i.e. Grant Thornton Polska Sp. z o.o. Spółka Komandytowa, provided permitted non-audit services to the Issuer. In connection with this, the Audit Committee performed an audit firm independence assessment and gave consent for the provision of the following permitted non-audit services:

- review of the Company's financial statements for the last three financial years in order to prepare an opinion on the 2017-2019 financial statements for the purposes of a prospectus
- other activities related to the publication of the prospectus
- review of interim consolidated and separate financial statements for the period from 1 January 2020 to 30 June 2020

Main objectives of the policy for selecting an audit firm for audit of financial statements and the policy for the provision of non-audit services by the audit firm performing the audit, by entities

related to the audit firm and the audit firm's network members

The Issuer selects the audit firm to audit its financial statements on the basis of a resolution of the Audit Committee entitled "Policy and Procedure for selecting an audit firm to audit the financial statements of Mo-BRUK S.A. and Mo-BRUK Group."

Rules that the Issuer observes in selecting the statutory auditor / audit firm are as follows:

1. The Issuer sends out invitations to submit proposals for statutory audit services to any authorised firm, on the condition that:
 - it does not breach the provisions of art. 17 sec. 3 of Regulation 537/2014;
 - the tender procedure does not exclude from participation in the selection procedure firms that generated less than 15% of their entire fees from auditing public-interest entities in a given EU member state in the preceding calendar year, listed on the audit firm list referred to in art. 91 of the Act.
2. In the course of the selection procedure, the Issuer may hold direct negotiations with interested bidders
3. The Issuer evaluates the proposals submitted by authorised entities in accordance with the selection criteria specified in tender documentation and prepares a report containing conclusions from the selection procedure and submits this report to the Audit Committee for approval.
4. The Audit Committee presents a recommendation to the Supervisory Board regarding the appointment of an authorised entity.

The recommendation should include:

- indication of the entity or entities recommended for the statutory audit;
 - justification for the selecting the recommended entity;
 - justification for the recommendation;
 - statement that the declaration is free of third-party influence;
 - statement that the Issuer has not concluded any agreements containing the clauses referred to in art. 66 sec. 5a of the Accounting Act of 29 September 1994;
 - if the selection concerns an extension of an agreement on audit of financial statements, it should contain at least two choices
5. Based on the Audit Committee's recommendation, the Supervisory Board selects the entity authorised to review and audit the separate and consolidated financial statements.
 6. In making its selection, the Supervisory Board pays attention to the audit team's experience in auditing the financial statements of companies, including companies listed on the Warsaw Stock Exchange, as well as competences and financial criteria.
 7. The selection decision is made taking account of the audit firm's impartiality and independence as well as an analysis of the work of that firm for the Company extending beyond the scope of audit of financial statements in order to avoid a conflict of interests.

Information on whether the audit firm selection recommendation meets the applicable conditions and if the selection did not concern extension of an agreement on audit of financial statements

- whether the recommendation was prepared following a selection procedure organised by the Issuer that meets the applicable criteria.

The Audit Committee's audit firm selection recommendation met the applicable conditions and was prepared following a selection procedure organised by the Issuer that met the applicable criteria.

27. Information on the date and term of agreement between the Issuer and the entity authorised to audit financial statements

On 3 June 2020, the Issuer executed an agreement with Grant Thornton Polska Sp. z o.o. Spółka komandytowa, based in Poznań, on:

- review of the Company's financial statements for the last three financial years in order to prepare an opinion on the 2017-2019 financial statements for the purposes of a prospectus,
- other activities related to the publication of the prospectus,
- audit of interim consolidated and separate financial statements for the period from 1 January 2020 to 30 June 2020,
- review of interim consolidated and separate financial statements for the period from 1 January 2021 to 30 June 2021,
- audit of annual consolidated and separate financial statements for the period from 1 January 2020 to 31 December 2020 and from 1 January 2021 to 31 December 2021.

The amount of remuneration for the entity authorised to audit financial statements is presented in note 36.1. "*Remuneration of entities authorised to audit financial statements*" in Mo-BRUK S.A.'s financial statements for 2020.

28. Statement by the management board or management persons noting that the entity authorised to audit financial statements performing a review or audit of annual financial statements was selected in accordance with applicable regulations and professional standards

The Management Board of Mo-BRUK S.A. declares that **Grant Thornton Polska Sp. z o.o. Spółka komandytowa**, based in Poznań (postal code 61-131), ul. abpa Antoniego Baraniaka 88E, entered under KRS number 407558 in the Register of Companies maintained by the District Court for Poznań – Nowe Miasto i Wilda in Poznań, 8th Commercial Division of the National Court Register; entered into the list of the National Chamber of Statutory Auditors under number 4055 (selected to audit the annual financial statements of all Group companies for 2020 and the consolidated financial statements for 2020) - the entity authorised to audit financial statements auditing the annual consolidated financial statements and annual separate financial statements of the Parent was selected in accordance with applicable laws and that the entity and the statutory auditors performing this audit meet the conditions to issue an impartial and independent report on audit of the annual consolidated and separate financial statements in accordance with applicable regulations and professional standards.

29. Management Board information, prepared on the basis of a Supervisory Board statement on selection of audit firm to audit the annual financial statements in accordance with regulations, including those related to audit firm selection and selection procedure

Acting pursuant to §70 sec. 1 point 7) of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information disclosed by issuers of securities and the terms for recognising as equivalent information required by the laws of a non-member state and a statement by the Supervisory Board of Mo-BRUK S.A. on the selection of an audit firm to audit the annual financial statements in accordance with the laws, including those pertaining to audit firm selection and selection procedure, the Management Board of Mo-BRUK S.A. notes that:

- a) the audit firm and members of the team performing the audit met the conditions to prepare an impartial and independent report on the audit of the annual financial statements in accordance with applicable laws, professional standards and professional ethics rules,
- b) applicable regulations concerning audit firm and lead statutory auditor rotation and mandatory cooling-off periods are being observed,
- c) Mo-BRUK S.A. has a policy for selecting audit firms and policy for the provision of non-audit services by audit firms for Mo-BRUK S.A., including services conditionally exempted from the prohibition of provision by the audit firm.

30. Management Board statement that, to the best of its knowledge, the annual financial statements and comparative data have been prepared in accordance with applicable accounting principles and that they accurately, reliably and fairly reflect the Company's asset and financial situation and its financial results and that the management report contains a true depiction of the Company's development, achievements and situation, including description of key threats and risks

The Management Board of Mo-BRUK S.A. declares that, to the best of its knowledge, the annual financial statements for 2020 and comparative data have been prepared in accordance with the applicable accounting principles and that they accurately, reliably and fairly reflect Mo-BRUK S.A.'s asset and financial situation and its financial results.

At the same time, the Management Board declares that the Management Board report contains a true depiction of Mo-BRUK S.A.'s development, achievements and situation, including a description of the key threats and risks.

Appendix no. 1

Statement on the application of corporate governance rules at Mo-BRUK S.A. in 2020, constituting an appendix to the Management Board report on Mo-BRUK S.A.'s activities in 2020

The Issuer, whose shares are admitted to trade on the Warsaw Stock Exchange, is subject to the corporate governance rules for joint stock companies being issuers of securities, convertible bonds or bonds with pre-emptive rights that are admitted to stock-market trade, adopted by the WSE's Board in October 2015 and entitled "Good Practices for WSE-Listed Companies 2016," in effect from 1 January 2016. The corporate governance rules, in the form of "Good Practices for WSE-Listed Companies," constitute an appendix to resolution no. 12/1170/2007 of the WSE's Board of 4 July 2007 and entered into force on 1 January 2008. On 19 May 2010, the WSE's Board amended the above document through resolution no. 17/1249/2010, effective from 1 July 2010 (except for the rule stated in part IV sec. 10 of Good Practices for WSE-Listed Companies, which should be applied from 1 January 2012 at the latest). The WSE's Board introduced further changes on 31 August and 19 October 2011, which mainly concerned the components of information governance and pushed back the effective date for the rule referred to in the preceding sentence to 1 January 2013. These changes were introduced via resolution no. 19/1307/2012 of 21 November 2012 and entered into force on 1 January 2013. On 13 October 2015, the WSE's Board adopted resolution no. 26/1413/2015 introducing a new set of corporate governance rules entitled "Good Practices for WSE-Listed Companies 2016." The new rules entered into force on 1 January 2016. The current version of the document is available at the WSE's official website dedicated to this matter (<https://www.gpw.pl/dobre-praktyki>).

The Issuer observes the corporate governance rules listed in "Good Practices for WSE-Listed Companies 2016," constituting an appendix to resolution no. 26/1413/2015 of the WSE's Supervisory Board of 13 October 2015, with the following stipulations:

Part I. INFORMATION POLICY AND COMMUNICATION WITH INVESTORS

I.Z.1.16. - information on planned general meeting broadcast - not later than 7 days prior to the general meeting date.

The Company does not apply this rule. The cost to broadcast General Meetings is too high and incommensurate to the potential benefits for shareholders.

I.Z.1.20. - audio or video recording of the General Meeting.

As regards the application of the corporate governance rules in I.Z.1.20 "Good Practices for WSE-Listed Companies 2016," according to the Issuer's Management Board posting an audio recording of the General Meeting does not lead to a significant increase in the shareholders' access to information about the Company, and may even cause significant chaos as regards the proper interpretation of the discussions taking place at the General Meeting, therefore the rule is not applied. According to the Issuer's Management Board, there are many factors of a technical and legal nature that may have an impact on the proper course of the General Meeting and therefore on the proper application of this rule. Moreover, according to the Issuer's Management Board, the Company's rules for participating in General Meetings make it possible to exercise rights attached to shares and protect the interests of all of the Company's shareholders. The Issuer's core business is waste management, which currently features a large shadow economy and the use of illegal practices, which is why the disclosure of discussions taking place at the General Meeting could lead to an improper use of information by unfair competitors on the waste market, according to the Issuer's Management Board. In order to observe the rule of equal access to information, the Issuer immediately publishes the content of resolutions adopted by the General Meeting on its website.

The Issuer notes that if investors would be interested in audio recordings, these would be published on the Company's website.

Part II. MANAGEMENT BOARD AND SUPERVISORY BOARD

II.Z.2. - Membership of the company's management board in the management or supervisory boards of companies outside the company's group requires supervisory board consent.

The Company does not apply this rule. The current Regulations of the Company's Supervisory Board do not include a relevant provision regarding the application of this rule.

II.Z.10.4. - Aside from activities resulting from legal provisions, once a year the supervisory board prepares and presents to the ordinary general meeting (...) an assessment of the rationality of the company's policy referred to in recommendation I.R.2, or information about the absence of such a policy.

The Company does not apply this rule. The Company is not engaged in sponsoring, charity or similar activity to any meaningful extent, and due to the incidental nature of this activity it does

not have such a policy.

Part III. INTERNAL SYSTEMS AND FUNCTIONS

III.Z.2. - Subject to rule III.Z.3, persons responsible for risk management, internal audit and compliance report directly to the president or other member of the management board and have the option of reporting directly to the supervisory board or audit committee.

The Company does not apply this rule. The Company does not have a distinct cell responsible for risk management, internal audit and compliance. In connection with this, there currently is no single person responsible for risk management, internal audit and compliance reporting directly to the president or other member of the management board and having the option of reporting directly to the supervisory board or audit committee.

III.Z.3 - General independence criteria laid down in commonly observed international standards for professional practices in internal audit apply to the person managing the internal audit function and other persons responsible for implementing its tasks.

The Company does not apply this rule. The Company does not have a distinct cell responsible for internal audit therefore there is currently no single person managing the internal audit function or other persons responsible for the internal audit function, who would be subject to general independence criteria laid down in commonly observed international standards for professional practices in internal audit.

III.Z.4. - At least once a year, the person in charge of internal audit (if there is a distinct internal audit function at the company) and the management board present to the supervisory board an assessment of the effectiveness of the systems and functions referred to in rule III.Z.1, along with the relevant report.

The Company does not apply this rule. The Company does not have a distinct cell responsible for internal audit therefore there is currently no single person managing the internal audit function or other persons responsible for the internal audit function. The Company's Management Board presents to the Supervisory Board its own assessment of the effectiveness of the systems and functions referred to in rule III.Z.1, along with the relevant report.

Part IV. GENERAL MEETING AND RELATIONS WITH SHAREHOLDERS

IV.R.2 - If justified by the shareholding structure or shareholder expectations communicated to the company, provided that the company is able to ensure the technical infrastructure necessary for the efficient conduct of the general meeting by means of electronic communication, it should enable shareholders to participate in the general meeting using such means, in particular through:

- 1) real-time broadcast of general meetings,
- 2) two-way communication in real time, where shareholders may speak during the general meeting while being at a place other than the general meeting location.
- 3) exercise of voting rights in the course of the general meeting, either in person or through an attorney.

The Company does not apply the above recommendation. According to the Issuer's Management Board, the absence of such a means of communication with investors does not significantly hinder a reliable information policy.

IV.Z.2 - If justified by the company's shareholding structure, the company provides a commonly accessible real-time broadcast of the general meeting.

The Company does not apply the above recommendation. According to the Issuer's Management Board, the absence of such a means of communication with investors does not significantly hinder a reliable information policy.

IV.Z.3 - Media representatives may be present at the general meetings.

The Company does not apply this rule. Only authorised persons and personnel hosting the General Meeting participate in the Issuer's General Meeting. The Issuer sees no need to make additional commitments to shareholders regarding special access to the General Meetings for media representatives. The Company immediately responds to questions concerning the General Meetings received from media representatives.

Part VI. REMUNERATION

VI.R.1 - Remuneration of members of the company's corporate bodies and key managers should result from an adopted remuneration policy.

On 3 March 2020, Mo-BRUK S.A.'s Extraordinary General Meeting, acting pursuant to art. 90 d of the Act of 29 July 2005 on public offering and the terms for introducing financial instruments to an organised trading system and on public companies (Polish Journal of Laws of 2019, item 623, as amended), adopted resolution no. 5/2020 regarding the adoption of a remuneration policy for members of Mo-BRUK S.A.'s Management Board and Supervisory Board.

VI.R.2. - The remuneration policy should be strictly linked to the company's strategy, its short- and long-term objectives, long-term interests and results, and it should take into account solutions that prevent discrimination for any reason.

On 3 March 2020, Mo-BRUK S.A.'s Extraordinary General Meeting, acting pursuant to art. 90 d of the Act of 29 July 2005 on public offering and the terms for introducing financial instruments to an organised trading system and on public companies (Polish Journal of Laws of 2019, item 623, as amended), adopted resolution no. 5/2020 regarding the adoption of a remuneration policy for members of Mo-BRUK S.A.'s Management Board and Supervisory Board.

VI.R.3. - If the supervisory board features a remuneration committee, rule II.Z.7 applies to its functioning.

This recommendation does not apply to the Company because it does not have a remuneration committee.

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

Signatures of Management Board Members

<u>28 April 2021</u> <i>Date</i>	<u>Józef Mokrzycki</u> <i>President of the Management Board</i>	
<u>28 April 2021</u> <i>Date</i>	<u>Elżbieta Mokrzycka</u> <i>Vice-President of the Management Board</i>	
<u>28 April 2021</u> <i>Date</i>	<u>Anna Mokrzycka – Nowak</u> <i>Vice-President of the Management Board</i>	
<u>28 April 2021</u> <i>Date</i>	<u>Wiktór Mokrzycki</u> <i>Vice-President of the Management Board</i>	
<u>28 April 2021</u> <i>Date</i>	<u>Tobiasz Mokrzycki</u> <i>Vice-President of the Management Board</i>	

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The Company was registered by the District Court for Kraków Śródmieście, 12th Commercial Division of the National Court Register, under KRS number: 0000357598. The Company's share capital amounts to PLN 35 128 850.00 and is fully paid-up.