POLIMEX MOSTOSTAL CAPITAL GROUP

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 December 2023 WITH THE OPINION BY AN INDEPENDENT STATUTORY AUDITOR

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(in thousands of PLN)

Consolidated profit and loss account

	Note	Year ended on 31 December 2023	Year ended on 31 December 2022
Sales revenues	7.1	3,013,631	3,784,203
Cost of goods sold	7.9	(3,040,137)	(3,503,837)
Gross profit / (loss) on sales		**(26,506)**	**280,366**
Cost of sales	7.9	(29,706)	(30,789)
General administration expenses	7.9	(83,217)	(76,914)
Profit / (loss) on impairment of financial assets		1,771	(7,079)
Other operating revenues	7.5	28,824	10,002
Other operating costs	7.6	(7,799)	(8,488)
Profit / (loss) on operating activities		**(116,633)**	**167,098**
Financial income	7.7	16,836	21,446
Financial costs	7.8	(39,151)	(22,846)
Share in the profit of an associated entity		–	121
Gross profit / (loss)		**(138,948)**	**165,819**
Income tax	8	15,735	(34,766)
Net profit / (loss)		**(123,213)**	**131,053**
Net profit / (loss) attributable to:			
– shareholders of the parent company		(123,213)	132,408
– non-controlling interests		–	(1,355)
Profit per share attributable to the shareholders of the parent company (in PLN per share)			
- basic profit per share	9	(0.511)	0.555
- diluted profit per share	9	(0.410)	0.515

Consolidated comprehensive income statement

	Year ended on 31 December 2023	Year ended on 31 December 2022
Net profit / (loss)	**(123,213)**	**131,053**
Items that will not be allocated in the later periods to the profit and loss account:		
Change from the valuation of tangible fixed assets	22,000	–
Actuarial profit / loss	(3,845)	3,358
Items that can be allocated in the later periods to the profit and loss account:		
Foreign exchange differences on translation of foreign entity	(3,984)	(4,410)
Other net comprehensive income	**14,171**	**(1,052)**
Total comprehensive income	**(109,042)**	**130,001**
Attributable to:		
– shareholders of the parent company	(109,042)	131,356
– non-controlling interests	–	(1,355)

(in thousands of PLN)

Consolidated balance sheet

	Note	Status as at 31 December 2023	Status as at 31 December 2022
Assets			
Fixed assets			
Tangible fixed assets	11	482,053	440,469
Investment property	12	23,874	45,996
Goodwill from consolidation	13	91,220	91,220
Intangible assets		3,831	4,537
Financial assets		3,348	1,689
Long-term receivables		133	2,083
Deposits due to the construction contracts		54,310	45,289
Deferred tax assets	8.2	160,364	140,778
Other fixed assets		15,719	5,353
Total fixed assets		**834,852**	**777,414**
Current assets			
Inventories	14	152,307	219,655
Trade receivables	15	500,616	399,293
Deposits due to the construction contracts		42,138	43,107
Construction contracts assets	17	348,578	237,181
Other receivables	15	44,644	91,159
Income tax receivables		275	1,058
Financial assets		625	91
Other assets		11,481	8,722
Cash	18	493,560	950,544
Total current assets		**1,594,224**	**1,950,810**
Assets held for sale	20	**39,912**	**503**
Total assets		**2,468,988**	**2,728,727**

(in thousands of PLN)

Consolidated balance sheet (continued)

	Note	Status as at 31 December 2023	Status as at 31 December 2022
Liabilities and equity			
Share capital	21.1	484,738	479,738
Reserve capital	21.2	319,549	300,830
Unregistered share issue		1,000	1,000
Reserve capital from surplus of bonds convertible into shares	21.3	5,175	5,532
Accumulated other comprehensive income	21.4	118,848	104,743
Retained earnings / Uncovered losses		4,219	145,727
Total equity		**933,529**	**1,037,570**
Long-term liabilities			
Bank loans, borrowings and other sources of financing	22	75,755	89,915
Long-term bonds	23	50,343	98,011
Provisions	25	32,728	33,098
Employee benefit liabilities	26	20,161	15,217
Other liabilities		1,147	1,806
Deposits due to the construction contracts		34,677	30,862
Deferred tax liabilities	8.2	2,173	2,978
Total long-term liabilities		**216,984**	**271,887**
Short-term liabilities			
Bank loans, borrowings and other sources of financing	22	37,363	33,560
Short-term bonds	23	52,917	13,856
Trade liabilities	27	627,365	826,501
Deposits due to the construction contracts		57,008	47,955
Construction contracts liabilities	17	343,308	324,171
Other liabilities	27	37,354	23,754
Income tax liabilities		2,221	5,278
Provisions	25	42,432	30,088
Employee benefit liabilities	26	117,117	113,074
Deferred income		1,390	1,033
Total short-term liabilities		**1,318,475**	**1,419,270**
Total liabilities		**1,535,459**	**1,691,157**
Total liabilities and equity		**2,468,988**	**2,728,727**

(in thousands of PLN)

Consolidated cash flow statement

	Note	Year ended on 31 December 2023	Year ended on 31 December 2022
Cash flows from operating activities			
Gross profit / (loss)		**(138,948)**	**165,819**
Adjustment items:		**(229,446)**	**(48,757)**
Share in the results of associates measured with the equity method		–	(121)
Depreciation		43,718	40,154
Net interests and dividends		18,326	26,131
Profit / (loss) on investing activities		(17,715)	(820)
Change in receivables	19	(176,916)	(264,595)
Change in inventories		65,797	(34,303)
Change in liabilities, excluding bank loans and borrowings	19	(150,346)	175,280
Change in other assets and deferred income		(12,778)	2,985
Change in provisions		12,254	19,883
Income tax paid		(6,946)	(17,546)
Other		(4,840)	4,195
Net cash from operating activities		**(368,394)**	**117,062**
Cash flows from investing activities			
Disposal of tangible and intangible fixed assets		919	13,416
Purchase of tangible and intangible fixed assets		(35,887)	(20,345)
Purchase of financial assets		(92)	(472)
Dividends and interest received		16	17
Repayment of borrowings		44	–
Granting borrowings		(2,034)	(1)
Net cash from investing activities		**(37,034)**	**(7,385)**
Cash flows from financing activities			
Lease payments		(18,834)	(13,874)
Proceeds from borrowings / bank loans		950	1,737
Repayment of borrowings / bank loans		(12,107)	(14,102)
Redemption of bonds		(5,000)	(3,700)
Interests paid		(15,071)	(12,165)
Other		(1,494)	(559)
Net cash from financing activities		**(51,556)**	**(42,663)**
Increase / (decrease) in net cash and cash equivalents		(456,984)	67,014
Cash at the beginning of the period	18	**950,544**	**883,530**
Cash at the end of the period	18	**493,560**	**950,544**
Cash recognised in the consolidated cash flow statement		**493,560**	**950,544**
– including restricted cash		35,152	60,885

(in thousands of PLN)

Consolidated statement of changes in equity

	Share capital	Reserve capital	Unregistered share issue	Reserve capital from surplus of bonds convertible into shares	Accumulated other comprehensive income: Revaluation reserve	Accumulated other comprehensive income: Actuarial profit / loss	Accumulated other comprehensive income: Foreign exchange differences on translation of foreign entity	Retained earnings / Uncovered losses	Total	Minority Interest	Total equity
As at 01 January 2023	**479,738**	**300,830**	**1,000**	**5,532**	**120,856**	**640**	**(16,753)**	**145,727**	**1,037,570**	**–**	**1,037,570**
Profit / (loss) for the period	–	–	–	–	–	–	–	(123,213)	(123,213)	–	(123,213)
Other net comprehensive income	–	–	–	–	22,000	(3,845)	(3,984)	–	14,171	–	14,171
Total comprehensive income	**–**	**–**	–	**–**	**22,000**	**(3,845)**	**(3,984)**	**(123,213)**	**(109,042)**	–	**(109,042)**
Distribution of net profit / (loss)	–	18,362	–	–	–	–	–	(18,362)	–	–	–
Conversion of bonds into shares	–	357	5,000	(357)	–	–	–	–	5,000	–	5,000
Registration of conversion of bonds into shares	5,000	–	(5,000)	–	–	–	–	–	–	–	–
Transfer of surplus from revaluation of tangible fixed assets due to their sale	–	–	–	–	(66)	–	–	66	–	–	–
Distribution of subsidiary's retained earnings to minority shareholders	–	–	–	–	–	–	–	1	1	–	1
As at 31 December 2023	**484,738**	**319,549**	**1,000**	**5,175**	**142,790**	**(3,205)**	**(20,737)**	**4,219**	**933,529**	**–**	**933,529**

(in thousands of PLN)

Consolidated statement of changes in equity (continued)

	Share capital	Reserve capital	Unregistered share issue	Reserve capital from surplus of bonds convertible into shares	Accumulated other comprehensive income: Revaluation reserve	Accumulated other comprehensive income: Actuarial profit / loss	Accumulated other comprehensive income: Foreign exchange differences on translation of foreign entity	Retained earnings / Uncovered losses	Total	Minority Interest	Total equity
As at 01 January 2022	**473,238**	**211,474**	**2,500**	**5,892**	**121,116**	**(2,718)**	**(12,343)**	**102,071**	**901,230**	**–**	**901,230**
Profit / (loss) for the period	–	–	–	–	–	–	–	132,408	132,408	(1,355)	131,053
Other net comprehensive income	–	–	–	–	–	3,358	(4,410)	–	(1,052)	–	(1,052)
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**3,358**	**(4,410)**	**132,408**	**131,356**	**(1,355)**	**130,001**
Distribution of net profit / (loss)	–	88,996	–	–	–	–	–	(88,996)	–	–	–
Conversion of bonds into shares	–	360	5,000	(360)	–	–	–	–	5,000	–	5,000
Recognition of valuation of put option held by minority shareholders	–	–	–	–	–	–	–	–	–	1,355	1,355
Registration of conversion of bonds into shares	6,500	–	(6,500)	–	–	–	–	–	–	–	–
Transfer of surplus from revaluation of tangible fixed assets due to their sale	–	–	–	–	(260)	–	–	260	–	–	–
Distribution of subsidiary's retained earnings to minority shareholders	–	–	–	–	–	–	–	(16)	(16)	–	(16)
As at 31 December 2022	**479,738**	**300,830**	**1,000**	**5,532**	**120,856**	**640**	**(16,753)**	**145,727**	**1,037,570**	**–**	**1,037,570**

(in thousands of PLN)

Explanatory notes to the consolidated financial statements as at 31 December 2023

1. General information

Polimex Mostostal Capital Group ("Group", "Capital Group") consists of the parent company Polimex Mostostal S.A. ("Parent Company", "Company", "Issuer"), its subsidiaries and associates. The consolidated financial statements of the Group cover the year ended on 31 December 2023 and contain comparative data for the year ended on 31 December 2022.

Polimex Mostostal Spółka Akcyjna operates under the statute established by the notarial deed of 18 May 1993 (Rep. A No 4056/93), as amended. The registered office of the Company is in Warsaw at Al. Jana Pawła II 12, 00-124 Warsaw, Poland. The Company was registered by the District Court for the Capital City of Warsaw in Warsaw, 12th Commercial Division of the National Court Register under the number KRS 0000022460. The Company is assigned the statistical identification number (REGON) 710252031.

The Parent Company and the entities within the Capital Group have been established for an indefinite period The financial statements of all consolidated subsidiaries have been prepared for the same reporting period as the financial statements of the Parent Company and with the application of consistent accounting policies. In case an associate or a subsidiary applies other accounting policies, for the purpose of consolidation the financial data have been transformed to comply with the accounting policies implemented by the Capital Group.

The financial year of the Parent Company and the entities within the Group is the same as the calendar year.

The primary business activity of the Parent Company involves a wide range of construction and assembly services provided in the formula of a general contractor, both in Poland and abroad, as well as administrative support for the companies within the Group. The Group's activity focuses on construction and assembly works, assembly and installation of industrial devices and equipment and production. Polimex Mostostal S.A. and the Group operate in the following segments: Production, Industrial Construction, the Power Sector, Infrastructure Construction, as well as Oil, Gas and Chemicals. The main place of business is Poland.

The shares of the Parent Company: Polimex Mostostal S.A. are listed on the Warsaw Stock Exchange.

1.1. Composition of the Capital Group and an overview of changes in its structure

As at 31 December 2023 and 31 December 2022 the following subsidiaries and were subject to consolidation:

Item	Entity	Registered office	Scope of business activity	Percentage share Status as at 31 December 2023	2022
Subsidiaries				(%)	(%)
1	Polimex Energetyka Sp. z o.o.	Warsaw	Construction works	100	100
2	Naftoremont-Naftobudowa Sp. z o.o.	Płock	Construction works	100	100
3	Polimex Opole Sp. z o.o. Sp. k.	Warsaw	Construction works	100	100
4	Mostostal Siedlce Sp. z o.o.	Siedlce	Manufacturing of metal products	100	100
5	Stalfa Sp. z o.o.	Sokołów Podlaski	Manufacturing of metal products	100	100
6	Polimex Mostostal ZUT Sp. z o.o.	Siedlce	Technical services	100	100
7	Czerwonogradzki Zakład Konstrukcji Stalowych	Chervonograd – Ukraine	Production of metal structures	100	100
8	Polimex Mostostal Wschód	Moscow, Russia	Distribution of metal products	100	100
9	Polimex Centrum Usług Wspólnych Sp. z o.o. in liquidation	Warsaw	Does not conduct any business activity	100	100
10	Polimex Budownictwo Sp. z o.o.	Siedlce	Industrial construction	100	100

11	Polimex Budownictwo Sp. z o.o. Sp. k.	Siedlce	Industrial construction	100	100
12	Polimex Operator Sp. z o.o. Sp. k.	Warsaw	Rental and leasing services of construction machinery and equipment	100	100
13	Polimex Infrastruktura Sp. z o.o.	Warsaw	Construction works on roads and highways	100	100
14	Instal Lublin S.A.	Lublin	Specialised construction services	100	100
15	Energomontaż-Północ Bełchatów S.A.	Rogowiec	Specialised construction and assembly services	77.25	77.25

The Parent Company has control over the subsidiaries under full consolidation; this results from the fact that the Parent Company has the majority ownership of shares in the subsidiaries and it is in a position to manage the operations of these entities. The subsidiaries excluded from the consolidation are entities in liquidation or restructuring, over which the Parent Company does not have control, or entities that are considered insignificant from the point of view of consolidation within the Group. The materiality threshold for excluding a subsidiary from the consolidation is determined by the ratio of the assets of a given entity to the total balance sheet of the Group and by the share of the sales revenues of an entity in the Group's sales revenues.

On 3 July 2023, the company Mostostal Siedlce Sp. z o.o. Sp.k. was converted into a capital company: Mostostal Siedlce Sp. z o.o. (in these Financial Statements we use the name of the transformed company i.e.: Mostostal Siedlce Sp. z o.o.).

During 2024, the legal forms were converted and the names of the companies listed below were changed:

- On 1 February 2024, Polimex Budownictwo Sp. z o.o. Sp. k. was transformed into the capital company: Polimex Budownictwo Sp. z o.o. (in these Financial Statements we use the name of the company before the transformation i.e.: Polimex Budownictwo Sp. z o.o. Sp. k.). However, the name of its existing general partner was changed on 31 January 2024 from: Polimex Budownictwo Sp. z o.o. to Polimex Budownictwo 1 Sp. z o.o. (in these Financial Statements we use the name of the company before the change i.e.: Polimex Budownictwo Sp. z o.o.);
- On 23 February 2024, Polimex Operator Sp. z o.o. Sp. k. was transformed into the capital company: Polimex Operator Sp. z o.o. (in these Financial Statements we use the name of the company before the transformation i.e.: Polimex Operator Sp. z o.o. Sp. k.). However, the name of its existing general partner was changed on 19 February 2024 from: Polimex Operator Sp. z o.o. to Polimex Operator 1 Sp. z o.o. (in these Financial Statements we use the name of the company before the change i.e.: Polimex Operator Sp. z o.o.).

There were no changes in the Group's structure during the reporting period and up to the date of these consolidated financial statements.

1.2. Functional and reporting currency

The items included in the financial statements of individual entities of the Group are measured in the currency of the primary economic environment in which a given entity operates. The consolidated financial statements are presented in the Polish zloty, which is the presentation currency of the Group. The amounts in the consolidated financial statements are presented in thousands of PLN, except for specific situations where the data is provided with greater accuracy.

2. Approval of the financial statements

On 26 April 2024 the consolidated financial statements of Polimex Mostostal Capital Group for the year ended on 31 December 2023 were approved for publication by the Management Board of the Parent Company.

The consolidated financial statements of Polimex Mostostal Capital Group and the financial statements of the Parent Company are under review by an independent statutory auditor – Ernst & Young Audyt Polska Sp. z o.o. Sp. k.

3. Platform of the applied International Financial Reporting Standards

3.1. Statement on compliance

These consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards ("IFRS") and the related interpretations published in the form of European Commission regulations.

Some of the Group's entities maintain their accounting books in compliance with the policy (rules) stipulated in the Accounting Act of 29 September 1994 ("Act"), as amended, and with the regulations issued on the basis of this Act. The consolidated financial statements include adjustments that were excluded from the accounting books of the Group's entities. These adjustments were introduced in order to render those financial statements compliant with the IFRS.

3.2. Going concern

These consolidated financial statements have been prepared with the assumption that the companies within the Group under consolidation in the foreseeable future will continue as a going concern. As at the day of the approval of these financial statements there were no circumstances which would indicate a threat to the going concern of the Group's companies under consolidation, with the exception of companies under liquidation.

The Management Board of the Parent Company Polimex Mostostal S.A. conducted an analysis on the impact of the war in Ukraine on the financial statements of the Group for the year 2023.

- The outbreak of war in Ukraine as a result of the invasion of the Russian Federation on 24 February 2022 and the subsequent sanctions imposed on the Russian Federation and Belarus have had a negative and destabilising impact on the global economy, which is still struggling with the effects of the pandemic. Due to the dynamics of the situation in Ukraine, it is difficult to determine the long-term economic effects and their impact on the overall macroeconomic situation, which indirectly affects the position and financial performance of companies. Areas where further negative impacts on the construction industry are possible include weakening of local currencies, rising inflation, rising material costs, rising construction costs, problems in recruiting workers, disruption in product and material supply chains. Group companies monitor and analyse the negative impact on their operations and financial performance on an ongoing basis.
- Currently, the armed conflict in Ukraine has a direct impact on the activities of the Group's company located in western Ukraine – Czerwonogradzki Zakład Konstrukcji Stalowych Sp. d.o. ("CZKS"). The Russian aggression led to the collapse of the Ukrainian market and, as a result, CZKS lost the possibility to obtain orders on the local market in the existing quantities and also stopped cooperating with Russian customers. Throughout the war, CZKS developed methods of cooperation with other PxM CG companies and also acquired new customers on the Polish market. Since the second quarter of 2023, there has been an increase in planned construction projects in the western Ukrainian market. This allowed for the occupancy of the production of structures and the continued operation of the Ukrainian company. Exports accounted for 62% of revenue for 2023. This compares with 63% for the same period in 2022. As a result of the further reduction in the number of employees (conscription and redundancies), the Company is unable to produce at the level it did before Russia's aggression. The production volume in 2023 represents 41% of that realised in 2021 and 48% of that realised in 2022. CZKS has the possibility of borrowing from banks, but it has not used this option, as it is able to finance current operations from its own resources. Key CZKS suppliers also offer the possibility of deferred payment. There were no major supply chain risks in 2023, the supply of materials required for production was uninterrupted except during the period of the border blockade. There is increased military conscription in Ukraine, which is having a significant impact on staff reductions. The departure of workers choosing to migrate to Europe is also a significant factor in the outflow of staff. The pool of employed workers at the end of 2023 was 17% lower than at the end of 2022. However, looking at the number of employees in blue-collar jobs, the workforce has decreased by 32 people (16%) since the outbreak of war. Given its current production capacity, CZKS is able to acquire orders to ensure continuity of production. The Ukrainian company achieved an EBITDA margin of 6.1% in 2023. Taking the above into account, it can be concluded that although doing business in Ukraine is becoming more difficult with each passing day of the war, CZKS still maintains operations at a safe level. The operations

of the company are continuing and measures are being taken to safeguard the safety of employees and the integrity of company property.

The Ukrainian company's share of the Group's turnover for 2023 is 1.2%, so a potential reduction in subsequent periods should not have a material negative impact on the Company's operations. The net asset value of CZKS at the end of 2023 amounted to PLN 10,858 thousand. The company's management monitors the activities of CZKS and the development of hostilities in Ukraine on an ongoing basis. At the date of preparation of these financial statements, the Company's Management Board has not identified any impairment risk on this account and no adjustments have been made for this.

- All of the Company's contracts are continuously monitored and reports are submitted to the Ordering Parties on instances of delays and cost increases in the execution of works, caused, both directly and indirectly, by the war in Ukraine and the coronavirus pandemic.
- The negative net result achieved in 2023 is mainly attributable to the performance of the Dolna Odra Power Plant and Czechnica CHP Plant contracts. As a result of the analysis of the Contract budgets, the Company's Management Board decided to reduce the gross margin. The increase in the cost of the execution of Contracts was due to the aftermath of events such as the COVID-19 pandemic, the war in Ukraine, the surge in inflation and the extension of the implementation of Contracts. The Company continues to process requests for contract price valorisation. The assumed effects of these valorisations (with the exception of the pre-agreed valorisation amount of the Czechnica contract – an issue described in more detail in Note 7.4.) are not included in the gross margin valuation as at 31 December 2023. Detailed information in this respect is presented in Note 7.4.
- Within the manufacturing segment, the main negative impact in macro terms is the increase in the prices of energy raw materials and metallurgical materials, as well as the volatility of their prices on global markets. In particular, the production activities based on steel and zinc composites face unprecedented upward price dynamics. As a consequence of global events, there is also a risk of a decline in investment projects and thus a decline in orders for steel products.
- The Group's liquidity is secured. At present, we see no significant basis for adjusting expected cash flows. The credit risk of receivable balances has not materially increased. The Group continues to take steps to optimise its sources of financing, in particular the amounts and terms of operation of the limits on bank and insurance guarantees arranged to finance ongoing contracts. These actions have a positive impact on minimising the Group's liquidity risk in the current and future periods.
- The Group operates on numerous markets and it is active on diverse segments of the market. This reduces the risk of over-concentration in areas that may be particularly affected by the epidemic. The Group has a secure order portfolio that is diversified in terms of geographies and industries.

In the opinion of the Management Board of Polimex Mostostal, the war in Ukraine has not prompted the necessity to make adjustments to the financial statements for 2023. The potential impact that the war in Ukraine will have during 2024 will be appropriately mapped in the financial statements for 2024.

3.3. Effect of new and amended standards and interpretations

In preparing these consolidated financial statements, PxM CG has applied the following standards for the first time:

- IFRS 17 Insurance Contracts and amendments to IFRS 17; amendments to IAS 1 and Practice Statement 2: Disclosure of accounting policies; amendments to IAS 8: Definition of estimates; amendments to IAS 12: Deferred tax on assets and liabilities arising from a single transaction;

The above mentioned standards have not had a significant impact on these financial statements.

IFRS as approved by the EU do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), with the exception of the interpretations and standards listed below, which as at 26 April 2024 still awaited implementation:

- IFRS 14 Regulatory interim accruals (published on 30 January 2014) – compliant with the decision of the European Commission, the process for approving a draft standard will not be initiated before the final version is published – as at the date of the approval of these financial statements, the standard has not been signed off by the EU – effective for annual reporting periods beginning on or after 1 January 2016;

- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (published on 11 September 2014) – the work leading to the approval of these amendments has been postponed indefinitely by the EU – the effective date has been postponed indefinitely by the IASB;
- Amendments to IFRS 1: Presentation of Financial Statements – Division of Liabilities into Current and Non-current – Deferred Effective Date and Non-current Liabilities with Covenants (published on 23 January 2020 and 15 July 2020 and 31 October 2022, respectively) – effective for annual periods beginning on or after 1 January 2024;
- Amendment to IFRS 16 Leases: Lease Obligations in Sale and Leaseback Transactions (issued 22 September 2022) – effective for annual periods beginning on or after 1 January 2024;
- Amendments to IFRS 7: Statement of Cash Flows and IFRS 7: Financial instruments: Disclosures: Supplier Finance Arrangements (issued 25 May 2023) – not endorsed by the EU as at the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2024;
- Amendments to IFRS 21: Effects of changes in foreign exchange rates: Lack of exchangeability (published 15 August 2023) – not endorsed by the EU as at the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2025;
- IFRS 18: Presentation and Disclosures in Financial Statements (issued 9 April 2024) – not endorsed by the EU as at the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2027.

According to the Group's estimates, the above-mentioned new standards and amendments to existing standards would not have had a material impact on the financial statements, if applied by the Group as at the balance sheet date.

4. Adopted accounting principles (policy)

4.1. The grounds for preparing the consolidated financial statements

These financial statements have been prepared in accordance with the historical cost concept, with the exception of certain tangible fixed assets which are recognised at the re-evaluated amounts or at fair values and financial instruments recognised at fair value at the end of each reporting period in accordance with the accounting policy specified below.

The historical cost is determined in principle on the basis of the fair value of the payment made for goods or services.

The most important accounting principles applied by the Company have been presented below.

4.2. Principles of consolidation

These consolidated financial statements include the financial statements of Polimex Mostostal S.A. and the financial statements of its subsidiaries prepared for the year ended on 31 December 2023. The financial statements of the subsidiaries, after accounting for the adjustments to render them compliant with the IFRS, are prepared for the same reporting period as the financial statements of the Parent Company, based on the uniform accounting principles applied for transactions and economic events of a similar nature. Adjustments are made to eliminate any discrepancies in the adopted accounting policies.

All significant balances and transactions between the Group's entities, including unrealised gains arising from transactions within the Group, have been completely eliminated. Unrealised losses are eliminated, unless they prove impairment.

Subsidiaries are subject to consolidation in the period from the date of the acquisition of control over them by the Group and they cease to be consolidated from the date such control ends. The control of the parent company occurs when the parent company has power over a given entity, when due to its involvement it is exposed to variable financial results or when it has the right to variable financial results and has the ability to influence the amount of these results by exercising authority over a subsidiary.

4.3. Changes in the Group's share in the equity of subsidiaries

Changes in the Group's share in the equity of subsidiaries that do not result in the loss of control over these entities are accounted for as equity transactions. The carrying amount of the Group's shares and non-controlling interests are adjusted to reflect the changes in the share in the subsidiaries. Differences between the amount of adjustment of non-controlling interests and the fair value of the payment made or received are recognised directly in equity and attributed to the owners of the Company. If the Group loses control over a subsidiary, the profit or loss is included in the profit and loss account calculated as the difference between the aggregate amount of the received payment, the fair value of retained shares and the original carrying amount of assets (including goodwill) and liabilities of this subsidiary and non-controlling interests. All amounts related to this subsidiary, initially recognised under other comprehensive income, are accounted for as if the Group directly sold the corresponding assets or liabilities of the subsidiary (i.e. these amounts are transferred to the financial result or to another category of equity in accordance with the provisions of the relevant IFRS). The fair value of investments held in the former subsidiary as of the date of the loss of control is treated as the fair value at the time of the initial recognition in order to enable a possible settlement of the cost incurred at the time of the initial recognition of the investment in the associate or joint venture.

4.4. Minority capital and put option held by minority shareholders

The Group presents as minority shares the equity of subsidiaries that cannot be allocated to the parent company. Minority shares are recognised as part of settlement transactions on the equity instruments of subsidiaries and are measured in accordance with their share in the net asset value as at the date of the acquisition of control. In the subsequent periods the value of the minority capital is adjusted by the appropriate share they hold in the result of the subsidiary.

The subsidiary's minority shareholders have the option of selling their shares after fulfilling certain conditions. At the end of each period during which the above option will not be exercised, the Group will proceed as follows:

- it will exclude from the balance sheet the value of the minority capital calculated with the method indicated above,
- it will recognise financial liability (presented in the balance sheet under other liabilities) in the present value of the expected payment for exercising the option
- it will recognise the change in the value of the liability through retained earnings.

If the option is used, the value of the liability will be settled with the value of the payment for the realisation of the option. If the option remains unsettled, the Group will recognise the minority equity in the amount corresponding to the amount that would have been calculated if the put option had not been recognised and will exclude the relevant financial liabilities from the balance sheet.

4.5. Participation in a joint venture

The Group's participation in joint ventures is accounted for using the equity method.

4.6. Conversion of amounts expressed in foreign currencies

Transactions expressed in currencies other than the Polish zloty are converted into PLN using the exchange rate in force on the date of the transaction. As at the balance sheet date, the monetary assets and liabilities expressed in currencies other than the Polish zloty are converted into PLN using the average exchange rate specified for a given currency by the National Bank of Poland at the end of the reporting period. The exchange differences resulting from the translation and settlement of these items are recognised in the financial revenues (expenses) or capitalised in the value of assets. Non-monetary assets and liabilities measured at a historical cost in a foreign currency are recognised using the exchange rate on the date of the transaction. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the exchange rate on the date when the fair value was determined.

The functional currencies of the foreign subsidiaries are UAH and RUB. As at the balance sheet date, the assets and liabilities of these foreign subsidiaries are converted into the currency of the presentation of financial statements using the exchange rate on the balance sheet date. Their financial statements of comprehensive income are converted at the weighted average exchange rate for the given financial period. The exchange differences arising from this conversion are recognised under other comprehensive income and they are accumulated under the balance sheet item: "Accumulated other comprehensive income" and in the statement of changes in equity under "Accumulated other comprehensive income due to exchange differences from the translation of a foreign entity". At the time of the disposal of a foreign entity, the deferred exchange differences relating to a given foreign entity and accumulated in the equity are recognised under the profit and loss account.

(in thousands of PLN)

The exchange rates at each balance sheet date were as follows:

	As at 31 December 2023	As at 31 December 2022
UAH	0.1037	0.1258
RUB	0.0427	0.0330
EUR	4.3480	4.6899

The weighted average exchange rates for the respective periods were as follows:

	Year ended on 31 December 2023	Year ended on 31 December 2022
UAH	0.1153	0.1354
RUB	0.0496	0.0354
EUR	4.5284	4.6883

4.7. Tangible fixed assets

Tangible fixed assets are shown at the purchase price/production cost less the depreciation and impairment losses, except for the asset class defined as real estate and structures permanently connected with land, i.e. land, production plants and property developed with a warehouse, industrial and office building facilities. The above asset class is presented under the "Land and buildings" category and is valued according to the revaluation model.

The initial value of tangible fixed assets includes their acquisition price increased by all costs directly related to the acquisition and adaptation of the asset components to the condition for its intended use. The cost also includes the replacement of the individual components of machinery and equipment when incurred, if the recognition criteria are met. Any costs incurred after the date when a fixed asset is put into operation, such as the maintenance and repair costs, are charged against the profit or loss when incurred.

Increases in the carrying amount due to revaluation of assets recognised according to the revaluation method are referred to under other comprehensive income and they are recognised as accumulated other comprehensive income in the shareholders' equity. Reductions offsetting earlier increases that relate to the same fixed asset are charged against other comprehensive income and reduce the capital arising from the revaluation. All other reductions are recognised in the profit and loss account. The resulting component of equity is transferred to the position of retained earnings when the asset is removed from the balance sheet.

Tangible fixed assets, at the time of their acquisition, are divided into components with a significant value to which a separate period of the economic usability can be attributed.

The depreciation is calculated on a straight-line basis for an estimated useful life of a given component of assets, amounting to:

Type	Period
Buildings and structures	10-60 years
Machines and technical equipment	2-40 years
Office equipment	3-10 years
Means of transportation	2-30 years
Computers	2-8 years
Investments in external tangible fixed assets	10-25 years

The final value, the period of use and the method of amortisation of asset components are verified annually at the end of December and, if necessary, corrected effective from the beginning of the next financial year.

Investments in progress relate to tangible fixed assets under construction or assembly and they are recognised at the acquisition or production cost less any impairment losses. The tangible fixed assets under construction are not subject to depreciation until their completion and transfer into operation.

4.8. Investment property

The initial recognition of the investment property occurs according to the acquisition or production cost, including transaction costs.

After initial recognition, investment properties are recognised at fair value. Profits or losses arising from changes in the fair value of the investment property are recognised in profit or loss under other operating revenues or other operating costs in the period in which they arose.

The transfer of assets to investment properties is made when there is a change in their use confirmed by the owner ceasing to use the assets' component or the conclusion of an operating leasing agreement. If the asset used by the owner, the Company, becomes an investment property, the Group applies the principles outlined in the section “Tangible fixed assets” until the day of changing the use of this property. The difference between the carrying amount determined in accordance with the principles presented in part as determined on the day of the transfer presented under “Tangible fixed assets” and its fair value is treated analogically to the approach corresponding to the revalued amount. In the case of disposal of investment property, the difference between the selling price and the book value is recognised in the profit and loss account.

4.9. Intangible assets

Intangible assets are measured at the initial recognition at the purchase price or production cost, as appropriate. Following the initial recognition, intangible assets are stated at their acquisition or production cost reduced by depreciation and impairment write-offs for the loss in value.

Intangible assets with a definite useful life are depreciated during the period of use and are subjected to the value impairment tests whenever there are premises indicating their value loss. The following periods of use have been applied:

Type	Period
Patents and licences	For patents and licenses used on the basis of a contract concluded for a definite period, this period is assumed, taking into account the period for which the use may be extended
Development cost	5 years
Software	2-15 years

Value of the company

Goodwill due to the acquisition of an entity is initially recognised at the purchase price constituting the amount of the surplus

- on the total of:
  (i) the transferred payment,
  (ii) the amounts of any non-controlling interest in the entity subject to acquisition, and
  (iii) in case of the merger of entities in stages, the fair value as at the acquisition date of the capital of the acquired company, previously held by the acquiring company.
- over the net amount determined as at the date of acquisition of the values of identifiable assets acquired and liabilities assumed.

After the initial recognition, the goodwill is reported at the cost of acquisition, less any accumulated impairment losses. The value impairment test is performed once a year or more often if there are premises to do so. The goodwill is not subject to depreciation.

As at the acquisition date the goodwill acquired is allocated to each of the cash-generating units that can benefit from the synergy. Each unit or group of units to which the goodwill is allocated:

- represent the lowest level within the entity at which the goodwill is monitored for internal management purposes, and
- is not larger than one operating segment determined in accordance with IFRS 8 "Operating Segments".

An impairment loss is determined by estimating the recoverable amount of the cash-generating unit to which the goodwill was allocated. If the recoverable amount of the cash-generating unit is lower than the carrying amount, an impairment loss is recognised. If the goodwill is part of the cash-generating unit and part of the operations within this unit is sold, the goodwill associated with the sold business is included in the carrying amount when determining profits or losses from the sale of such service. In such circumstances the sold goodwill is determined based on the relative value of the operations sold and the value of the part of the cash-generating unit retained. A cash generating centre is not larger than one operating segment before aggregation.

Impairment of non-financial fixed assets

As at each balance sheet date, the Group evaluates whether there are any prerequisites indicating that a loss in value of the components of non-financial fixed assets may have occurred. In the event when there are such prerequisites or in case of the necessity to conduct an annual impairment test, the Group estimates the recoverable value of a given component of assets or a cash generating unit the component of assets belongs to if the element of assets concerned does not individually generate cash inflows.

The recoverable value of a component of assets or a cash generating unit corresponds to the fair value reduced by the cost of sale of this component or respectively the cash generating unit, or its value in use, depending on which one is higher. If the balance sheet value of a component of assets is higher than its recoverable value, the loss in value occurs and a write-off to the determined recoverable value is made.

At each balance sheet date, the Group assesses whether there are any prerequisites indicating that the impairment write-off for the loss in value, which was recognised in previous periods, in relation to a given component of assets is unnecessary or if it should be reduced.

4.10. Borrowing costs

Borrowing costs are capitalised as part of the cost of producing tangible fixed assets. The borrowing costs are composed of interest calculated using the effective interest rate method, financial charges due to finance lease agreements and exchange differences occurring in connection with borrowing up to the amount corresponding to the adjustment of the interest cost.

4.11. Inventories

Inventories are measured at the lower of the two values: the acquisition price/production cost and the maximum achievable net sale price.

The costs are recognised as follows:

Materials	at the purchase price determined using the "first in-first out" method;
Finished products and products in progress	the cost of direct materials and labour, as well as an appropriate mark-up of indirect production costs determined assuming the normal use of production capacity, excluding borrowing costs;
Goods	at the purchase price determined using the "first in-first out" method;

When the inventory is released from the warehouse, the Group recognises the cost of sales – in the case of sales or consumption of materials – in case of delivery of the inventory for further production or provision of services.

When the inventory is sold the carrying amount of these inventories is recognised as the cost of the period in which the relevant revenues are recognised

The maximum achievable net sale price, is an estimated sale price in the ordinary course of business decreased by the costs of finalisation, as well as the estimated costs of sale.

4.12. Trade receivables

Trade receivables are recognised and stated according to the initially invoiced amounts, including the write-off against doubtful receivables.

When the impact of the value of money is significant, the value of receivables is determined by discounting the predicted future cash flows to the current value, using the discount rate reflecting the current market estimates of the value of money, as well as the possible risk related to a given liability. If a method involving discounting was applied, then the increase in liabilities due to the passing time is recognised as financial revenues.

4.13. Other receivables

Other receivables include, in particular, advance payments forwarded for future purchases of tangible fixed assets, intangible assets and inventories. The advance payments are presented according to the nature of the assets to which they relate, respectively, as fixed or current assets. As non-monetary assets, the advance payments are not subject to discount. Other receivables also include VAT and other public law receivables.

4.14. Deposits transferred under construction contracts

The deposits under construction contracts are amounts due to the Company resulting from the amounts paid within the construction contracts. In particular, the deposits constitute collateral provided by the Group. Deposits are retained from sale invoices issued by the Group as the implementation of services progresses or they are provided in a singular payment by the Group. The deposits are settled collectively with the finalisation of the contract or after the warranty period.

The deposits under construction contracts are recognised and disclosed according to the amounts originally invoiced or paid to the recipient, including the write-off.

If the effect of the value of money is material, the value of the deposit is determined by discounting the projected future cash flows to the present value using a discount rate that reflects the current market assessments of the value of money and the contractor’s credit risk. The write-off for deposits transferred under construction contracts is estimated when the collection of the full amount of the deposit is no longer probable.

If a method involving discounting was applied, then the increase in value due to the passing time is recognised as financial revenues.

4.15. Cash and cash equivalents

The cash values shown in the balance sheet include cash at the bank and on hand, as well as bank deposits payable on request.

Cash equivalents include investments that meet all of the following criteria: they are short-term, i.e., generally with a maturity of less than 3 months from the date of the acquisition, highly liquid, easily convertible into specified amounts of cash and exposed to a slight risk of change in value.

Cash and cash equivalents are measured at amortised cost.

The balance of cash and cash equivalents shown in the cash flow statement consists of the cash and cash equivalents specified above.

4.16. Financial instruments

Financial assets and liabilities are recognised when the Group becomes a party to a binding contract. Upon initial recognition the Group measures a financial asset or financial liability at its fair value, except for trade receivables which are measured at the transaction price – if they do not contain a significant element of financing.

Financial assets are classified into the following valuation categories:

- assets measured at amortised cost,
- assets measured at fair value through profit or loss,
- assets measured at fair value through other comprehensive income.

The Group classifies a financial asset based on the Group's business model in terms of managing financial assets and the characteristics of contractual cash flows for the financial asset (the so-called “capital and interest only” criterion).

A financial asset is measured at amortised cost if both of the following conditions are met:

a) the financial asset is held in accordance with a business model whose purpose is to maintain financial assets for obtaining contractual cash flows, and
b) the terms of the contract concerning a component of a financial asset create cash flows during certain period which only constitute a repayment of the main amount and the interest from the main amount remaining to be repaid.

All financial assets held by the Group are measured at amortised cost.

Interest income is calculated using the effective interest method and it is recognised in the profit and loss account under financial income.

Dividends are recognised in the profit and loss account when an entity is entitled to receive dividends.

The Group assesses the expected credit losses related to debt instruments measured at amortised cost and fair value through profit or loss, regardless of whether there is any evidence of impairment.

In the case of trade receivables, deposits and assets due to the valuation of contracts the Group applies a simplified approach and measures the write-off on expected credit losses in the amount equal to the expected credit losses in the entire lifetime using the reserve matrix. The Group uses its historical data on credit losses, as well as information on individual assessment of impairment risk and takes into account the information regarding the future. Write-offs for expected credit losses recognised in the reporting period are presented in Note 16. These write-offs are presented in the income statement under the heading Profit / (loss) on impairment of financial assets.

In the case of other financial assets including cash, the Group measures the write-off on expected loan losses in the amount equal to a 12-month period of expected loan losses. If the credit risk related to a given financial instrument has increased significantly since the initial recognition, the Group measures the write-off on expected credit losses on the financial instrument in the amount equal to the expected credit loss over the entire lifetime.

The Group estimates that the credit risk associated with a given financial instrument has increased significantly since its initial recognition if the contractor's financial position deteriorated or he entered into the process of restructuring / bankruptcy / liquidation.

Assets are excluded from the accounting books when the rights to obtain cash flows from them have expired or have been transferred and the majority of risks and all benefits of ownership have been transferred.

The Group classifies all financial liabilities as measured after initial recognition at amortised cost.

The Companies within the Group do not use hedge accounting.

4.17. Credits, borrowings and debt securities (bonds)

At the time of the initial recognition, all bank credits, borrowings and debt securities are recognised at fair value, decreased by the costs associated with obtaining a credit or loan.

After the initial recognition, interest-bearing credits, borrowings and debt securities are measured at amortised cost using the effective interest rate method.

4.18. Lease

The Group applies exemptions related to the recognition of low-value asset leases (not exceeding PLN 15,000) and short-term leases (not exceeding 12 months). These transactions are presented within the cost of goods sold as costs of external services. In cases where it is not be possible to determine the interest rate of the lease, the Group applies the marginal interest rate of the lessee, which is on average 4.1%.

At the onset of the contract the Group determines whether a given contract contains a lease. A contract constitutes a lease if it conveys the right to control the use of an underlying asset for a given period in exchange for remuneration.

At the onset of the lease the Group recognises an underlying right-of-use asset and a lease liability. At the onset date the Group measures the lease liability as the present value of the lease payments that have not been paid at that date.

The cost of the underlying right-of-use asset includes the amount of the initial assessment of the lease liability and

i. any lease payments made on or before the onset date, less all incentives received from the lease, and
ii. any initial direct costs, and
iii. an estimate of the costs to be incurred in relation to the dismantling and removal of the underlying asset, restoring the site on which it was located or the renovation of the underlying asset to restore it to the condition required by the terms of the lease.

After the onset date of the lease the Group measures the lease liability through:

i. an increase in the carrying amount to reflect interest on the lease liability,
ii. a decrease in the carrying amount to include the lease payments paid in,
iii. an update to the balance sheet valuation to include any re-assessment or change of lease to account for substantially updated fixed lease payments.

At the onset of the lease the Group recognises an underlying right-of-use asset and a lease liability:

i. less accumulated amortisation (depreciation) write-offs and total impairment losses and
ii. adjusted for any revaluation of the lease liability.

The Group depreciates the right-of-use asset from the commencement date of the lease until the end of the lease term or including the option to extend the lease (where the Company is highly likely to exercise the option). If depreciation is recognised by the end of the duration of use, the Group applies depreciation rates appropriate for the given group of assets, convergent with the rates applicable for tangible fixed assets.

The lease agreements, under which the lessor substantially retains all the risks and benefits of the ownership of the leased asset, are classified as operating lease agreements. The lease instalments are recognised as operating revenues in the income statement on a straight-line basis over the lease term.

The Group includes the right-of-use assets as part of the same balance sheet positions they would be presented in if the Group owned these assets. The right-of-use assets have been presented in the line item “Tangible fixed assets”. Lease liabilities have been presented in the line item “Bank loans, borrowings and other sources of financing” in the long-term or short-term part of the balance sheet – depending on the settlement date. In the statement of cash flows under financing activities, the Group presents outflows related to leases recognised in the balance sheet. Cash flows related to short-term or low-value leases are presented under “Operating cash flows”. Additional disclosures regarding leasing have been presented in notes 7.8, 7.9, 11.1 and 22.

4.19. Asset (or disposal groups) held for sale

Tangible fixed assets (or disposal groups) are classified as held for sale if their carrying amounts are recovered through a sale transaction and the sale is considered to be highly probable. They are recognised at the lower of the following two amounts: their carrying amount and fair value less costs of sales.

4.20. Other assets

Prepayments are recognised in the amount of expenses already incurred which relate to the next reporting periods after the balance sheet date. These costs are presented at face value after ensuring that these costs will benefit the entity in the future. Interim prepayments include mainly:

- insurance,
- subscriptions,
- rents paid in advance that do not quality as lease.

4.21. Deferred income

Deferred income is recognised while taking into account the principle of a prudent valuation. These include primarily the equivalent of received or due funds for benefits that will be performed in the next reporting periods.

4.22. Trade liabilities

Short-term trade liabilities are presented under amortised cost. Other financial liabilities, which are not financial instruments measured at fair value by the financial result, are measured in accordance with the depreciated cost using the effective interest rate method.

4.23. Other liabilities

Other liabilities include, in particular, liabilities arising from the purchase of tangible fixed assets, liabilities under VAT and other liabilities under taxes, customs and social security, as well as liabilities under financial guarantees. Other liabilities are recognised under amortised cost.

4.24. Deposits received under construction contracts

Deposits under construction contracts result from the amounts received within the construction contracts. The Group retains the deposits from sale invoices issued by the subcontractors as the implementation of services progresses or the deposits are provided in a singular payment by the subcontractors. The deposits are settled collectively with the finalisation of the contract or after the warranty period.

The deposits under construction contracts are recognised and disclosed according to the amounts originally invoiced or paid by the suppliers. In the subsequent periods deposits are recognised under amortised cost. The influence of the measurement in the depreciated cost is recognised as financial revenues/expenses.

4.25. Employee benefit liabilities

Short-term employee benefits paid by the Group include:

- wages, salaries and social security contributions,
- short-term compensated absences, if absences are expected to occur within 12 months of the end of the period in which employees performed their related work,
- profit-sharing and bonuses payable within 12 months after the end of the period in which the employees were performing work related to them,
- non-cash benefits for currently employed employees.

Short-term employee benefits, including payments to defined contribution plans, are recognised in the period in which the entity received the benefit from the employee, and in the case of distributions from profit and bonus, if the following conditions are met:

- the entity has a present legal or constructive obligation to make such payments as a result of past events; and
- a reliable estimate of the obligation can be made.

The Group recognises the expected costs of short-term employee benefits in the form of paid absences in the case of accumulated paid absences (i.e. those for which allowances are transferred for future periods and can be used in the future if they have not been fully utilised in the current period) and in the case of non-accumulated paid absences (which give rise to obligations on the part of the Company as of their occurrence).

In accordance with the Company remuneration systems, the employees of the Companies within the Group have the right to retirement benefits. Retirement benefits are paid once at the time of retirement. The amount of a retirement benefit depends on the length of service and the average remuneration of the employee. The Group has a provision for future liabilities related to retirement benefits in order to allocate costs to the periods to which they relate. According to IAS 19, retirement benefits belong to the specified post-employment benefits programs. The current value of these liabilities at each balance sheet date is calculated by an independent actuary. The accumulated liabilities are equal to the discounted payments which will be made in the future, taking into account the rotation of employment and they relate to the balance sheet date. Demographic information and information about the rotation of employment are based on historical data.

Liabilities under retirement benefits are presented under liabilities due to employee benefits.

Post-employment benefits in the form of defined benefit plans (retirement benefits) and other long-term employee benefits (including long-term invalidity pensions) are determined using the projected unit credit method from the actuarial valuation carried out at the end of the reporting period.

Actuarial gains and losses related to defined post-employment benefit plans are presented under other comprehensive income. However, profits and losses related to other long-term employee benefits are recognised in the current income statement of the reporting period.

4.26. Provisions

Provisions are created when the Group is burdened with the existing liability (legal or customary anticipated) resulting from past events and when it is probable that the fulfilment of this liability will result in the necessity of the economic benefits outflow, and the amount of this liability can be reliably estimated. If the Group expects that the costs covered by the provision will be reimbursed, for example under the insurance contract, then the reimbursement is recognised as a separate component of assets, but only when it is certain that the reimbursement will actually occur. The costs related to a given provision are stated in the income statement after the reduction by any reimbursement.

When the impact of the time value of money is significant, the value of the provision is determined by discounting the forecast future cash flows to the current value, using the discount rate reflecting the current market estimates of the value of money, as well as the possible risk related to a given liability. If a method of discounting was applied, the increase in liabilities due to the passage of time is recognised as financial costs.

4.27. Profit distribution for employee purposes and special funds

In accordance with the Polish economic practice, the stockholders/shareholders of entities can distribute the profits for employee purposes by making a contribution to a social fund or other special funds. In the financial statements compliant with IFRS this part of the profit distribution is included in the operating costs of the period to which the profit distribution relates.

4.28. Reserve capital from surplus of bonds convertible into shares

The Group recognises separate components of financial instruments which establish its financial liability and provide their holders with an option to convert into parent Company's equity instrument. The Parent Company is an issuer of bonds convertible into shares of the Parent Company. As at the date of issuing bonds, the Parent Company measured the equity component and the liability component of the bonds issued. The liability component was measured at fair value. The equity component was determined as the final (residual) value of the amount remaining after deducting separately determined value of liability component from the fair value of the entire instrument. The Group does not change the qualification of the liability and equity component depending on the change of probability of executing the conversion option.

4.29. Revenues from contracts with Customers

The Group recognises a contract with the customer upon the fulfilment of all of the following conditions:

- the parties to the contract have concluded the contract (in writing, orally or in accordance with other customary commercial practices) and are required to perform their obligations;
- the Group is able to identify the rights of each party to the contract regarding goods or services to be delivered;
- the Group is able to identify the terms of reimbursement regarding goods or services to be delivered;
- the contract has commercial substance (that is, it is expected that as a result of the agreement the risk involved, the schedule or the amount of future cash flows of an entity may change); and
- it is probable that the Group will receive remuneration to which the Group will be entitled to in exchange for goods or services that will be provided to the customer.

The Group combines two or more contracts that were concluded simultaneously or almost simultaneously with the same client (or entities related to the client) and recognises them as one contract if at least one of the following criteria is met:

- the contracts are negotiated as a package and concern the same commercial purpose;

- the amount of remuneration due under one contract depends on the price or performance of another contract; or
- goods or services promised under the contracts (or some goods or services promised in each contract) constitute a single performance obligation.

The Group recognises the amendment to the contract as a separate contract, if simultaneously: the scope of the contract increases due to the addition of promised goods or services that are considered separate, and the price specified in the contract increases by the amount of the remuneration reflecting the individual promised sale prices of additional promised goods or services, and any appropriate adjustments to that price are made in order to account for the circumstances of the specific contract.

At the time of conclusion of the contract the Group assesses the promised goods or services in the contract with the client and identifies as an obligation to perform the service any promise made to the client to provide the following:

- goods or services (or package of goods or services) that can be separated; or
- separate groups or goods or services which are essentially the same and for which the transfer to the client is the same.

The goods or service promised to a customer is separate if both of the following conditions are met:

- the customer may benefit from goods or services either directly or by connection to other resources that are readily available (i.e. the goods or services may be separate); and
- an entity's obligation to provide goods or services to a customer can be identified as separate from other obligations specified in the contract (i.e. the goods or service is separate within the contract).

The Group recognises the revenue when an obligation to perform the service is fulfilled (or when the performance of service is in progress) by transferring the promised goods or services (i.e. a component of an asset) to the customer. An asset is transferred when the customer obtains control of that asset.

For each obligation to perform the service, the Group determines at the time of the conclusion of the contract whether it will meet the obligation to perform the service over time or whether it will meet it at a specific moment. If the Group does not meet the obligation to perform the service over time, the obligation to perform the service is fulfilled at a certain time.

The Group uses one method to measure the degree of fulfilment of the obligation for each performance obligation fulfilled over time and applies this method consistently to similar performance obligations and in similar circumstances. At the end of each reporting period, the Group re-assesses the degree of total fulfilment of the obligation to perform the service performed over time.

The Group uses input-based methods to measure the degree of compliance. Revenues are recognised based on activities or expenditure incurred in fulfilling the performance obligation in relation to the total expected expenditure necessary to fulfil the performance obligation. The stage of completion is measured as the share of costs incurred from the date of the contract to the date of determining the revenue in the estimated total costs of providing the service or the share of the work performed in relation to the total work.

After fulfilling (or in the course of fulfilling) the obligation to perform the service, the Group recognises as income the amount equal to the transaction price (excluding estimated values of variable remuneration, which are limited), which was assigned to this obligation to perform the service.

In order to determine the transaction price, the Group takes into account the terms of the contract. The transaction price is the amount of remuneration which, as expected by the Group, it will be entitled to in exchange for the transfer of promised goods or services to the customer, excluding amounts collected on behalf of third parties. The remuneration specified in the contract with the client may include fixed amounts, variable amounts or both.

When setting the transaction price, the Group adjusts the promised amount of remuneration by changing the value of money over time, if the payment schedule agreed by the parties to the contract (explicitly or implicitly) gives the Group significant benefits or generates significant financial costs from financing the transfer of goods or services. In such circumstances, the Group recognises that the contract contains a significant financing component. An important element of financing may occur irrespective of whether the financing promise is clearly stated in the contract or results from payment terms agreed by the parties to the contract.

The Group attributes to the obligations to perform the services specified in the contract any subsequent changes in the transaction price on the same terms as when the contract was concluded. The amounts assigned to the obligations to perform the service are recognised as revenue or as a decrease in revenue in the period in which the transaction price has changed.

If the Group, as one of the parties to the contract, fulfilled the obligation, the Group presents the contract as an asset under the contract (under “Receivables under valuation of contracts”) or a contract liability (under “Liabilities under valuation of contracts”) – depending on the ratio between the entity's status of performance of the obligation and the invoices issued. The Group presents all unconditional rights to receive remuneration separately as trade receivables.

The Group presents received advance payments under the item regarding the valuation of contracts.

If another entity is involved in the delivery of goods or services to the client, the Group determines whether the nature of the promise constitutes an obligation to perform a service that entails the provision of specific goods or services (in this case the Group is the principal) or on behalf of another entity to provide these goods or services (in this case the Group is an intermediary).

The Group is the principal if it exercises control over the promised goods or services before passing it on to the customer. The Group, however, does not have to act as the principal if it obtains the legal title to the product only temporarily before it is transferred to the customer. The Group appearing in the contract as the principal may fulfil the obligation to perform the service or may entrust the fulfilment of this obligation or part thereof to another entity (e.g. subcontractor) on its behalf. If the Group acting as the principal fulfils the obligation to perform the service, it recognises the revenue in the amount of the remuneration to which – as anticipated by the entity – it will be entitled to in exchange for the transferred goods or services.

The Group acts as an intermediary if its obligation to perform the service entails ensuring the delivery of goods or services by another entity. If the Group acting as the intermediary fulfils the obligation to perform the service, it recognises the revenue in the amount of any fee or commission to which – as anticipated by the entity – it will be entitled to in exchange for ensuring the delivery of goods or services by another entity. The fee or commission due to the entity may be the amount of remuneration that the Group retains after paying remuneration to another entity in exchange for goods or services provided by that entity.

4.30. Taxes

Current tax

The liabilities and receivables for the current tax for the current period and previous periods are evaluated in the amount of expected payment for tax authorities (subject to reimbursement from tax authorities), using the tax rates and regulations, which were legally or actually applicable as at the balance sheet date.

Deferred tax

For the purpose of financial reporting, the deferred tax is provided, using the balance liability method in relation to all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their balance sheet value presented in the financial statement.

Assets/provisions for deferred tax are recognised in relation to all negative / positive temporary differences:

- except for the situation when the provision for the deferred tax arises from the initial recognition of the company's value or of the assets' component or liability on a transaction other than a combination of the entities, and at the time of its conclusion have no influence on the gross financial result, as well as on the taxable income or tax loss, and

- in the case of positive temporary differences resulting from investments in subsidiaries or associates and interests in joint ventures – except when the dates of reversal of temporary differences are subject to investor control and when it is probable that the temporary differences will not be reversed in the foreseeable future.

The balance sheet value of the assets' component due to the deferred income tax is verified on every balance sheet date and reduced to the extent that it is no longer probable that the taxable income sufficient for a partial or complete realisation of the assets' component due to the deferred income tax will be achieved. An unrecognised deferred tax asset is re-assessed as at each balance sheet date and is recognised at the amount reflecting the likelihood of achieving the future taxable income allowing to recover this component of assets.

The deferred tax assets and provisions for the deferred tax are evaluated with the use of the tax rates that are expected to be applicable in the period, in which the assets' component is realised or the provision is released, the basis for which will be tax rates (and tax regulations) applicable at the balance sheet date, or those which will certainly be effective as at the balance sheet date in the future.

The income tax on items recognised outside the profit or loss is recognised outside the profit or loss: in other in other comprehensive income related to the items recognised in other comprehensive income or directly in the equity, relating to the items recognised directly in the equity.

The Group companies offset deferred tax assets and deferred tax liabilities if and only if they have an enforceable legal title to compensate for receivables with current tax liabilities and deferred income tax is connected with the same taxpayer and the same tax authority.

If in the Group's opinion it is probable that the Group's approach to the tax issue or group of tax issues will be accepted by the tax authority, the Group determines taxable income (tax loss), tax base, unused tax losses, unused tax credits and tax rates taking into account the approach to taxation planned or applied in the tax return. While assessing this probability, the Group assumes that the tax authorities eligible to audit and challenge the tax approach will carry out such control and will have access to all information.

If the Group determines that it is not probable that the tax authority will accept the Group's approach to the tax issue or group of tax issues, then the Group reflects the effects of uncertainty in accounting terms of tax during the period in which this was determined. The Group recognises an income tax liability using one of the following two methods, depending on which of them better reflects the way in which this uncertainty can materialise:

- the Group determines the most likely scenario – it is a single amount among the possible outcomes, or
- the Group recognises the expected value – it is the sum of probability weighted amounts among the possible results.

5. Significant values based on professional judgement and estimates

Below there is a description of basic assumptions about the future and other key sources of uncertainty as at the balance sheet date which are associated with a high risk of a significant adjustment of the carrying amounts of assets and liabilities in the next financial year.

Periods of economic use of tangible fixed assets

As described in note 4.7, the Group verifies the anticipated economic useful lives of items under tangible fixed assets at the end of each annual reporting period.

Fair value measurement and the valuation procedures

Investment property is measured by the Group at fair value for the purpose of financial reporting. The valuation has been carried out by external qualified property appraisers. The valuations are prepared with the application of income or comparative methods. The Group applies the revaluation model for the following class of assets: real estate and structures. In case the revaluation needs to be performed, the Group obtains a fair value measurement for particular locations of real estate and structures. The revaluation is performed for the entire class of assets when the fair value differs significantly from the carrying amount. The valuations are prepared with the application of income or comparative methods. Details on the performed valuations are described in note 11 and 12.

Impairment of assets

The Group performs the impairment testing of tangible fixed assets and shares under circumstances that indicate the possibility of the impairment of assets. The tests require an estimation of the value-in-use of a cash-generating unit to which these tangible fixed assets belong. The value-in-use estimation involves a calculation of future cash flows generated by the cash-generating unit and it requires to determine the discount rate to be used in order to calculate the current value of these cash flows.

Impairment of goodwill

Pursuant to IAS 36, the Management Board of the Parent Company as at the balance sheet date performs annual impairment tests of cash-generating units to which goodwill has been allocated. Assumptions and significant information about the performed tests are provided in note 13 in the section Additional information and explanations. As a result of the performed test, goodwill was not impaired in the financial year ended on 31 December 2023.

Asset due to deferred tax, note 8.2

The Group recognises a deferred tax asset based on the assumption that the future tax profit will be achieved to allow its use. The deterioration of the future tax results may render this assumption unjustified.

Revenue recognition, note 17

The gross margins of the contracts in progress are determined based on the formalised process called the Project Review as the difference between the cost of sales and the estimated total contract costs (the total amount of the costs incurred and the estimated costs until the completion of the contract). Verification of the estimated costs until the completion of the contract is performed during the Project Review on a monthly, quarterly or semi-annual basis, or with other frequency depending on the contract type. The costs until the completion of the contract are determined by competent teams who are substantively accountable for the implementation of a given area based on their best knowledge and experience.

The Group applies the percentage progress method for the settlement of long-term contracts. The application of this method requires of the Group to provide an estimation of the ratio of the works already performed to all services to be performed. The progress of works is measured based on the input-based method, i.e. as the share of costs incurred so far in the total expected cost budget of the contract. Based on the updated contract budgets and the status of construction contracts, the Group recognises the effects of the changes in estimates in the financial results of the period.

Valuation of employee benefits liabilities – retirement and pension payments

Provisions for employee benefits have been measured with the application of actuarial methods. Assumptions adopted for this purpose are presented in note 26.

Provision for warranty repairs, note 25

Provisions for liabilities under warranty repairs are established during the project implementation in proportion to sales revenues. The amount of provisions depends on the type of construction services provided and it constitutes a specified percentage of the value of sales revenues from a given contract. However, the value of provisions for warranty repairs may be subject to individual analysis (including the opinion of the manager in charge of a given construction site) and it may be increased or decreased in duly justified cases. The provisions can be used within the first 3-5 years after the completion of the investment in proportions corresponding to the actually incurred costs of repairs.

Provisions for court cases, note 25

Provisions related to ongoing judicial proceedings are established when a lawsuit has been filed against a given entity and the probability of a judgement adverse for the entity is greater than the probability of a favourable judgement. The probability of either outcome is assessed in the course of the judicial proceedings and on the basis of legal opinions from attorneys. The established provisions are charged to other operating costs.

Provision for penalties, note 25

The estimates of contractual penalties are provided by technical services assigned to the implementation of the construction contract, in cooperation with the legal department that interprets the provisions of the contract. Provisions for penalties are established when there is a high risk of the imposition of a penalty by the ordering party due to improper performance of the contract.

Provision for the settlement price of contracts, note 25

Provisions for the settlement price of contracts relate to the final settlement of the road contracts.

Provisions for projected losses on construction contracts, note 25

As at each balance sheet date, the Group updates the estimates of the total revenues and total expenses related to projects in progress. The projected total loss on a contract is recognised as an expense in the period in which it has been recognised.

Provision for sureties, note 25

A surety is recognised in the accounting records as a provision when at the balance sheet date there is a high likelihood that the borrower will not be able to repay their debts.

Revaluation write-off of materials and receivables (Notes 15 and 16)

As at each balance sheet date, the Group analyses individual conditions for the impairment of trade receivables such as disputable receivables, receivables under court proceedings, receivables from companies in bankruptcy or liquidation and others. Based on this, the Group makes individual write-offs of receivables and the remaining receivables are included in the write-off of anticipated credit losses. The method for calculating write-offs is described in note 16 – Financial instruments – impairment.

At each balance sheet date, the Group updates the write-off of redundant materials, while taking into account the remaining time in the warehouse and the potential for future use.

6. Reporting segments

For the management purposes the Group has been divided into four segments based on the manufactured products and the services rendered:

Production	production and delivery of steel structures, platform gratings, shelving systems, pallets or road barriers. Services in corrosion protection of steel structures using the hot galvanising method, the Duplex system or hydraulic painting.
Industrial construction	construction and assembly services. General contractor in the construction industry (including property development). Implementation of large-scale industrial and general construction projects. Assembly of steel structures, specialised devices, halls and special constructions.
Power sector	Services related to the power sector. General contractor in the construction of facilities in the power sector, design, production and sales of power boilers, maintenance services for the permanent and comprehensive operation of power plants, combined heat and power plants and industrial facilities.
Oil, gas and chemicals	General contractor in the construction of facilities in the chemical sector. Assembly of equipment for the chemical and petrochemical industries, prefabrication and assembly of steel structures, technological pipelines, storage tanks and pipelines, prefabrication and assembly of furnaces for the refinery industry. Implementation of environmental protection projects. Our customers are chemical plants, refineries, petrochemicals and companies from the gas industry.

For the reporting purposes the Group presents two additional segments due to the historical legacy and for a better understanding of the report:

Infrastructure construction	General contractor in the construction of facilities for the roads and railways. This segment has been reactivated in recent years and is experiencing significant growth. In this segment the Group presents the results of the settlements of road contracts with the main customer the General Directorate for National Roads and Highways.
Other activity	transportation and equipment services, renting, leasing, laboratory tests, equipment service, other services not included in other segments.

The Management Board monitors the operating results of individual segments in order to make decisions regarding the allocation of resources, to assess the effects of this allocation and operating results. In order to assess operating results of the segments, the Management Board uses the results on operating activity and the gross result of the segment. Income tax is monitored at the Group level and it is not allocated to individual segments.

Transaction prices used during transactions between operating segments are determined by the market terms for transactions with unrelated parties.

The below tables present data on revenues and profits of individual operating segments of the Group for the year ended on 31 December 2023 and the year ended on 31 December 2022. The Management Board of the Company regularly monitors the results of the segments, however there is no ongoing assessment of the assets and liabilities of the segments. Therefore, the below tables do not include the division of assets and liabilities by segments.

The data concerning individual segments are presented according to the same principles applied in the process of the preparation of the financial statements.

(in thousands of PLN)

Year ended on 31 December 2023	Production	Industrial construction	Power sector	Oil, gas and chemicals	Infrastructure construction	Other activity	Exclusions	Total activity
Revenues								
Sales to external clients	860,907	284,222	1,214,259	432,341	215,373	6,529	–	**3,013,631**
Sales between the segments	46,077	149,516	6,272	4,379	4,971	55,505	(266,720)	–
Total segment sales revenues	906,984	433,738	1,220,531	436,720	220,344	62,034	(266,720)	**3,013,631**
Results								
Profit / loss on operating activities of the segment	52,453	(20,886)	(192,105)	43,602	7,638	(7,335)	–	**(116,633)**
Financial income and costs balance	(15,697)	(4,726)	(992)	(1,650)	(2,118)	2,868	–	**(22,315)**
Gross profit / loss from the segment	36,756	(25,612)	(193,097)	41,952	5,520	(4,467)	–	**(138,948)**

The income from transactions between the segments has been excluded.

Year ended on 31 December 2022	Production	Industrial construction	Power Sector */	Oil, gas and chemicals	Infrastructure construction	Other activity	Exclusions	Total activity
Revenues								
Sales to external clients	1,146,666	387,149	1,641,057	422,883	181,468	4,980	–	**3,784,203**
Sales between the segments	127,379	245,936	26,303	6,862	21,170	52,654	(480,304)	–
Total segment sales revenues	1,274,045	633,085	1,667,360	429,745	202,638	57,634	(480,304)	**3,784,203**
Results								
Profit / (loss) on operating activities of the segment*	68,175	9,322	83,046	25,153	2,331	(20,808)	–	**167,219**
Financial income and costs balance	(6,412)	163	(1,191)	170	(425)	6,295	–	**(1,400)**
Gross profit / (loss) from the segment	61,763	9,485	81,855	25,323	1,906	(14,513)	–	**165,819**

The income from transactions between the segments has been excluded.

* / The operating profit includes the share in the profit of an associated entity in the amount of PLN 121 thousand.

(in thousands of PLN)

7. Revenues and costs

7.1. Sales revenues by categories

Year ended on 31 December 2023	Production	Industrial construction	Power sector	Oil, gas and chemicals	Infrastructure construction	Other activity	Exclusions	Consolidated financial data
Revenues from the sales of construction and other services	880,601	422,622	1,219,452	436,342	220,344	32,424	(233,988)	**2,977,797**
Revenues from the sales of goods and materials	24,976	9,356	286	378	–	6,401	(10,528)	**30,869**
Revenues from rental	1,407	1,760	793	–	–	23,209	(22,204)	**4,965**
Total sales revenues	**906,984**	**433,738**	**1,220,531**	**436,720**	**220,344**	**62,034**	**(266,720)**	**3,013,631**

Year ended on 31 December 2022	Production	Industrial construction	Power sector	Oil, gas and chemicals	Infrastructure construction	Other activity	Exclusions	Consolidated financial data
Revenues from the sales of construction and other services	1,232,745	631,602	1,664,225	429,270	202,638	32,702	(460,455)	**3,732,727**
Revenues from the sales of goods and materials	39,323	32	2,909	475	–	3,751	(144)	**46,346**
Revenues from rental	1,977	1,451	226	–	–	21,181	(19,705)	**5,130**
Total sales revenues	**1,274,045**	**633,085**	**1,667,360**	**429,745**	**202,638**	**57,634**	**(480,304)**	**3,784,203**

The first two items in the tables below include the revenues from the contracts with clients in line with IFRS 15.

The revenues of the Production segment are in large part generated at a point in time. Revenues generated at a point in time involve revenues from sales of goods and materials in all segments. Revenues from sales of construction and other services are generated at a point in time in all segments except for Production.

(in thousands of PLN)

7.2. Geographical information

The below tables present data on revenues regarding specific geographical areas of the Group for the year ended on 31 December 2023 and on 31 December 2022. The geographical areas are classified by the location of the rendered service or delivery.

Year ended on 31 December 2023	Production	Industrial construction	Power sector	Oil, gas and chemicals	Infrastructure construction	Other activity	Exclusions	Consolidated financial data
Poland	317,619	433,738	1,161,237	278,246	220,344	58,592	(264,745)	**2,205,031**
Abroad	589,365	–	59,294	158,474	–	3,442	(1,975)	**808,600**
Total sales revenues	**906,984**	**433,738**	**1,220,531**	**436,720**	**220,344**	**62,034**	**(266,720)**	**3,013,631**

Year ended on 31 December 2022	Production	Industrial construction	Power sector	Oil, gas and chemicals	Infrastructure construction	Other activity	Exclusions	Consolidated financial data
Poland	768,178	633,085	1,637,861	230,382	202,638	52,837	(474,521)	**3,050,460**
Abroad	505,867	–	29,499	199,363	–	4,797	(5,783)	**733,743**
Total sales revenues	**1,274,045**	**633,085**	**1,667,360**	**429,745**	**202,638**	**57,634**	**(480,304)**	**3,784,203**

7.3. Key recipients of the Group

In 2023, the Group had two recipients for which sales exceeded 10% of sales revenue and amounted to a total of PLN 996 million.

7.4. Other significant events regarding ongoing contracts

In 2023 the Group implemented the following strategic contracts in the power sector:

- contract for the construction of a new power unit for Zakłady Azotowe Puławy,
- contract for the construction of two new power units at the Dolna Odra Power Plant,
- contract for the construction of a gas-fired combined heat and power plant in Siechnice (Czechnica).
- contract for the construction of a gas-steam unit at the Rybnik Power Plant,
- contract for the construction of Package K-003 from the OSBL scope of expansion of the Olefin installation in Płock.

Puławy CHP Plant

On 25 September 2019, an agreement was concluded between Grupa Azoty Zakłady Azotowe "Puławy" S.A ("Ordering Party") and a consortium consisting of: Polimex Mostostal S.A. (as consortium leader), Polimex Energetyka Sp. z o.o. and SBB Energy S.A. ("Contractor"). The subject of the Agreement is the construction of a complete Thermal and Condensing Power Unit based on coal fuel, with closed cooling system with wet fan coolers, with gross electrical power capacity in the range of 90-100 MWe, with thermal power supplied with fuel to the boiler furnace of the Unit lower than 300 MWt, with thermal power capacity in technological steam of at least 250MWt, operating on steam parameters. The remuneration for the Assignment is flat rate and at the time of signing the contract amounted to PLN 1,159,900 thousand net, of which the PxM Group accounts for approximately 99%, of which the Company accounts for approximately 96.7%. Under the contract, the Contractor undertook to hand over the power unit to the Ordering Party for use on 23 October 2022, i.e. within thirty-six months from the date set by the Ordering Party as the date of commencement of work.

For the purpose of contract execution, the Company entered into agreements with its main technological subcontractors: on 16 December 2019 with Fabryka Kotłów Sefako S.A., the subject of which is the execution of the basic design, prefabrication and delivery of the complete boiler together with equipment and safety features, with a net value of EUR 179 900 thousand; on 20 December 2019 with Siemens AG (now Siemens Energy Global GmbH & Co. KG), the subject of which is the execution and delivery of a turbogenerator set (generator and steam turbine), feedwater heaters, with a net value of EUR 17,457 thousand; and on 19 June 2020 with Mitsubishi Hitachi Power Systems, Ltd. (now Mitsubishi Power, Ltd.) for the design and supply of a flue gas exit system (FGD system, SCR system, electrostatic precipitator, flue gas fan, gypsum storage, wet stack) with a net value of EUR 22,600 thousand.

In 2021, the value of remuneration increased by PLN 1,765 thousand net, i.e. to PLN 1,161,665 thousand net, as a result of signing two annexes to the contract.
Due to the negative impact of the COVID-19 pandemic on the execution of the contract, which the Contractor reported to the Ordering Party on 13 March 2020 as a Force Majeure event, (illnesses among employees, both of the Company and its subcontractors, in particular the General Designer, absenteeism resulting from forced isolation and quarantine, which caused significant delays in the design process, aggravated by the lack of availability of materials and services, which translated into delays in the execution of works), Polimex Mostostal S. A. on 18 November 2021 requested the Ordering Party to extend the Contract completion time by 223 days (until 3 June 2023) and to increase the remuneration by c. PLN 35,758 thousand net, as an additional cost of the Company's supervision work during the extended period of the Block construction management. The Ordering Party, by letter dated 30 December 2021, refused to accept the Company's request in the part concerning an increase in remuneration, but asked to supplement the request in the part concerning an extension of the Contract completion date. By letter dated 28 February 2022, the Company upheld its request to amend the Contract in its entirety and supplemented the request with more detailed reasoning.
Further impediments to the execution of the Contract occurred due to Russia's aggression against Ukraine, starting on 24 February 2022 and the ongoing war. The Company considered this event as an indication of another Force Majeure, of which it notified the Ordering Party by letter dated 1 March 2022.

As a result of the war in particular, market destabilisation was exacerbated and restrictions were placed on the availability of materials, services and labour. In this situation, the Company analysed how the coronavirus outbreak had increased the cost of the Contract and what increased costs due to COVID-19 and the war in Ukraine it would have to incur to complete the Contact and, on 22 April 2022, made a further request to the Ordering Party to increase the contractual remuneration by an additional net amount of PLN 188,748 thousand (valorisation claim).
The Ordering Party, in a letter dated 25 April 2022, expressed its readiness for dialogue with regard to the extension of the Contract completion date, while with regard to the increase in remuneration, it maintained its negative position, supporting it with a legal opinion, and again requested a more detailed proposal indicating the scopes to be covered. The Company provided such details and, also bearing in mind the new circumstances arising in relation to the war in Ukraine, on 1 June 2022 it reiterated its valorisation demand and modified its request of 18 November 2021 to change the Contract completion date, requesting that it be extended to 30 June 2023. The Company held discussions with the Ordering Party regarding these claims, and also provided the Ordering Party with documents from the bidding phase and the actual execution contracts with subcontractors to support its demands for a salary increase. These materials were reviewed by an expert appointed by the Ordering Party, which led to an approximation of the parties' positions on the issues of the term claim, while a significant discrepancy remained regarding the valorisation claim. In addition, the Ordering Party decided to abandon the construction of the FGD desalination plant (valued in the Contract at PLN 2,700,000 net), as requested by the Company, the construction of which, in the opinion of the Company supported by relevant expert reports, was unjustified both from the economic and ecological point of view. On 21 September 2022, as agreed at a subsequent meeting with the Ordering Party, the Company sent the Ordering Party a proposal for the content of the relevant annex to the Contract in respect of the submitted proposals and the Ordering Party submitted its proposed annex provisions on 24 October 2022. The Ordering Party is willing to accept 3 June 2023 as the Contract completion date.
In connection with the lack of formal resolution of the requests submitted to the Ordering Party by the Company and the lack of agreement on the content of the relevant annex to the Contract, on 14 November 2022 the Company submitted to the Court of Conciliation at the Polish Attorney General's Office a request for mediation in respect of the dispute with the Ordering Party arising on the grounds of the Contract, concerning the amount of PLN 227,206 thousand net of the requested increase in remuneration together with the resignation from the construction of the FGD sewage system and extension of the Contract completion date to 30 June 2023.

The mediation proceedings culminated in the Parties concluding a Settlement Agreement to the Contract on 31 May 2023 (which entered into force on 14 July 2023) and which also constitutes Annex No. 5 to the Contract. Under the Settlement: (i) the Contract completion period has been extended to 03 June 2023, i.e. by 223 days, (ii) the Contractor will not implement the FGD sewage desalination plant and its remuneration is reduced by the amount of PLN 2,700 thousand net, (iii) as compensation for the increased costs of Contract completion related to COVID-19 and the war in Ukraine, the Contractor's remuneration is increased by the amount of PLN 37,700 thousand net. After the introduced changes, the Contract remuneration currently amounts to PLN 1,196,665 thousand.

The deadline for completion of the Contract (signing of the Provisional Acceptance Certificate – PAC) – 3 June 2023 – was not met, due to, among other things, the failure of the turbine and the need to dismantle it, repair it at Siemens' facilities and reassemble it.

Due to failures of the installed boiler, consisting of damage to the second stage steam superheater system, which occurred in September and October 2023, the Contractor sent an updated work schedule to the Ordering Party in January 2024, according to which the project is expected to be completed in October 2024. The recovery schedule is being implemented in accordance with the deadlines set out therein.

There is uncertainty about the final settlement of the project. The Ordering Party has indicated that it has acquired the right to charge potential contractual penalties (which, according to the main contract, can amount to a maximum of 30% of the net Remuneration) for exceeding the deadline. At the same time, the Contractor requested that the parties conduct mediation proceedings. At this point in time, the Ordering Party has not issued any debit notes to the Company and does not exclude the possibility of mediating the extension of the Project at a later stage. Taking into account the rationale for mitigating the contractual penalties, including the Company's limited estimated level of loss to the Ordering Party resulting from the extension of implementation, as well as the current status of settlements with the Company's subcontractors, the Company's Management Board estimates that the probability of the impact of potential contractual penalties on the need to change the current Project budget is less than 50%.

Dolna Odra Power Plant

On 30 January 2020, an agreement was concluded between PGE Górnictwo i Energetyka Konwencjonalna S.A. (now PGE Gryfino 2050 Sp. z o. o.) and a consortium comprising of: General Electric Global Services GmbH (as consortium leader), General Electric International Inc. and Polimex Mostostal S.A. The subject of the Agreement is a turnkey construction of two gas and steam power units (number 9 and 10), provision of complete sets of power generating equipment and their auxiliary installations and any other technological, mechanical, electrical and automation installations, along with associated facilities for PGE Górnictwo i Energetyka Konwencjonalna S.A. Dolna Odra Power Plant Complex Branch, covering all works, supplies and services, including development of the design documentation. Pursuant to the Agreement, the Contractor is obliged to start the implementation of the Agreement immediately after its conclusion and to finalise the Assignment by 11 December 2023.
The contract was concluded for a net amount of PLN 3,649,713 thousand, including Polimex Mostostal's share for a net amount of PLN 1,515,097 thousand.
On 17 December 2020, Annex No. 1 to the agreement was signed between the Ordering Party and the Consortium, according to which the postponement of a part of the payment of the Execution Phase No. 11, being from the scope of General Electric, from August 2022 to December 2022, was approved. In accordance with the annex, the value of the Contract was reduced by PLN 12 million, concerning the scope of General Electric.
With reference to the above change, on 15 December 2020, Annex No. 2 to the Consortium Agreement was concluded, which approved the division of responsibility for the prefabrication of the pipelines by shifting part of Execution Phase No. 10 from Polimex Mostostal to General Electric and thus reducing Polimex Mostostal's remuneration by PLN 8,307 thousand net.
On 16 December 2021, due to a change in the scope of the Works, by Annex No. 4 to the Agreement, the contract amount was increased by PLN 26,495 thousand net to PLN 3,664,208 thousand net, of which Polimex Mostostal's share increased by PLN 10,480 thousand net to PLN 1,517,270 thousand net.
On 27 September 2021 and 21 September 2022, Annex No. 3 and Annex No. 5 to the Contract were signed respectively. Annex No. 3 regulated technical issues not affecting the price and completion date, and Annex No. 5 regulated the conditions for Polimex Mostostal S.A.'s consortium members to carry out the replacement of blades in the turbines they supplied, due to the delivery of turbines with temporary blades. Annex No. 5 also did not change the remuneration or the completion date of the Contract, but obliged GE to provide additional security to complete the blade replacement as well as to extend the technical warranty for the mechanical part of the gas turbine.
Following the reported Force Majeure, the Parties entered into negotiations to determine its impact on the Contract completion date. The result of these negotiations was the signing of Annex No. 8 on 20 July 2023 , which sets a new date for the execution of the Contract (handover of the Units for operation to 30 April 2024). The extension of the Contract completion date was due to the occurrence of force majeure events and the Contractor has demonstrated to the Ordering Party their impact on the performance of the contractual obligations and the possibility of due performance of the Contract. The other material provisions of the Contract remained unchanged.

In terms of checking that the new completion dates are met, the Parties have identified Key Tasks for each of the Units in the form of the dates of commencement of chemical cleaning, first ignition and commencement of Trial Operation as tasks whose achievement is key to meeting the deadline for signing the protocol of taking-over of the unit for operation. The Parties have agreed that the progress of the work and deadlines of the Key Tasks will be subject to ongoing review by the Project management of the Ordering Party and the Contractor. The Annex additionally defined the principles of providing support and advice by the Contractor for the operation of the Unit and for service and maintenance activities in the period until 31 December 2024.

In the course of work on the 2023 Annual Report, following an analysis of the project's cost budget, it was decided to reduce the Project's gross margin by PLN 124.3 million. The change in gross margin is mainly due to an increase in the cost of the Project due to the aftermath of events such as the COVID-19 pandemic, the war in Ukraine, the surge in inflation, the extension of the Project and unforeseen technological problems in finalising the contract. At the same time, the Company is still proceeding with the application for the valorisation of the contract price of the Project, the assumed effects of which are not included in the gross margin valuation of the Project as at 31 December 2023.

Czechnica CHP Plant

On 23 June 2021 an agreement was concluded between: Zespół Elektrociepłowni Wrocławskich Kogeneracja S.A. and a Consortium comprising of: Polimex Mostostal S.A. (Consortium Leader) and Polimex Energetyka Sp. z o.o. (Consortium Partner). The subject of the Agreement is the turnkey construction of a gas-steam CHP plant in Siechnice (“Task”), which will consist of a gas-steam unit, a peak load boiler room and a heat accumulator to achieve a thermal power of 315 MWT and an electrical power of 179 MWE. The state-of-the-art unit, which will run on low-carbon fuel (system gas), will replace the 120-year-old coal-fired unit currently in operation. The remuneration for the task is a lump sum of PLN 1,159 million net and the value of the associated service contract is PLN 25 million net, plus an additional EUR 21.7 million. The implementation of the Task consists of two phases of work: Phase I: Construction of a peak load boiler room with district heating networks. The deadline for handover of the facility to the Ordering Party is 22 months from the commencement of the Works under the terms of the Agreement), Phase II: Construction of a gas-steam unit with heat accumulator. The date of commissioning of the CHP Plant to the Ordering Party is 34 months from the commencement of the Works under the terms of the Agreement). Pursuant to the provisions of the Agreement, the Contractor will provide the subject of the agreement with a basic quality guarantee and warranty of 24 months and an extended warranty of 60 months for the civil works, chemical-resistant linings, corrosion protection and gas-insulated switchgear (GIS). The Basic Guarantee Period and the Extended Guarantee Period are subject to extension in cases specified in the Agreement, but subject to such extensions lasting no longer than 36 and 72 months respectively from the date on which they commence.

By current report No. 43/2023 of 2 November 2023, the Company informed that on 26 September 2023 it decided to delay the disclosure of confidential information to the public on the issuance by the District Court in Wrocław, 10th Commercial Division (“Court”) of a decision (“Decision”) to grant security for the claim of the Company and Polimex Energetyka sp. z o.o. against Zespół Elektrociepłowni Wrocławskich Kongregacja S.A. in Wrocław (“Kogeneracja”) for the shaping of the legal relationship and amendment of the agreement of 23 June 2021 for the execution of the investment titled: “Turnkey construction of a gas and steam CHP for Zespół Elektrociepłowni Wrocławskich Kogeneracja S.A. in Siechnice”. Pursuant to the Decision, the Court granted security for the Consortium's claim against Kogeneration for an increase in the Consortium's remuneration under the Contract from the net amount of PLN 1,169.2 million by the net amount of PLN 343.9 million to the total net amount of PLN 1,503.1 million, by stipulating that, pending the legally valid conclusion of the proceedings, the value of certain “milestones” of the Contract would be increased by the total net amount of PLN 172 million. The reason for the disclosure of the delayed confidential information was that the conditions for further delay were not met due to the Consortium's filing of a lawsuit with the Court regarding the above-described claim. The subject matter of the claim is the shaping of the legal relationship and the amendment of Contract No. 3310088286 of 23 June 2021 for the execution of the investment titled: “Turnkey construction of a gas and steam CHP for Zespół Elektrociepłowni Wrocławskich Kogeneracja S.A. in Siechnice” (“Contract”) concluded between the Consortium as the Contractor and Kogeneracja as the Ordering Party, by determining the amount of the Consortium's remuneration for performance of the Contract by increasing it from the amount of PLN 1,159,180,000 net plus due VAT, by the amount of PLN 343,930,862.80 net plus due VAT, i.e. to the total amount of PLN 1,503,110,862.80 net plus applicable VAT, and consequently, to award the total amount of PLN 343,930,862.80 net plus applicable VAT from Kogeneracja to the Consortium. Currently pending are Kogeneracja's complaint proceedings against the decision of the Court of Appeal in Wrocław to grant security and the aforementioned court proceedings for shaping brought by the Company.

At the time of preparing the 2022 report and the reports for Q1 2023, H1 2023 and Q3 2023, the Group valued the contract on the basis of unavoidable costs and the principle of limiting the risks associated with further performance of the contract, by assuming that in the absence of the conclusion of the valorisation annex by the end of September 2023 (annual report 2022 and report for Q1 2023) and by the end of December 2023 (semi-annual report 2023 and report for Q3 2023), respectively, the Group will abandon further performance of the task and will take action to suspend the task or terminate the Contract. The

Group's approach was confirmed by issuing security for the Group's valorisation claim by the District Court in Wrocław on 20 September 2023, finding the claim plausible. The suspension of the execution of the security issued by the District Court as a result of a challenge by the Ordering Party and after an analysis, in the course of work on the 2023 Annual Report, a decision was made to change the aforementioned approach on the basis of unavoidable costs and a reduction in the gross margin of the project in the amount of PLN 101.8 million. This adjustment is the result of a preliminary agreement with the Ordering Party aimed at concluding a settlement on the increase of the remuneration as well as a change in the deadlines of the contract and a target annex to the contract providing for an increase in the remuneration payable to the Company due to an extraordinary change in relations arising after the date of conclusion of the contract and a change in the selected deadlines of performance, including the date of commissioning of the Combined Heat and Power Plant.

Rybnik Power Plant

On 09 February 2023, an agreement was concluded between Rybnik 2050 sp. z o.o. (a PGE Group company) and a consortium consisting of: the Company (as consortium leader), Siemens Energy sp. z o.o. with its registered office in Warsaw (as consortium member) and Siemens Energy Global GmbH & Co. KG with its registered office in Munich, Germany (as a consortium member). The subject of the Agreement is the implementation of construction and assembly works in the "turnkey" formula for the construction of a gas-steam unit in Rybnik, including obtaining a construction permit for Construction Works, as well as obtaining an occupancy permit for the facilities. Pursuant to the Agreement, the Contractor is obliged to start the implementation of the Agreement immediately after its conclusion and to finalise the Assignment by 31 December 2026.
The remuneration for the Assignment is fixed at PLN 3 050 000 thousand net (the "Remuneration"), of which the Company will receive PLN 1 374 940 thousand net. The Remuneration will be paid in instalments on the basis of the invoices issued as per the schedule outlined in the Agreement.
The Consortium also entered into a turbine maintenance agreement ("LTSA") with the Ordering Party. Given the scope of the subject matter of the LTSA, the PXM Group does not hold a share in the remuneration thereunder, does not participate in the Ordering Party's provision of security, and the provisions of the consortium agreement between the consortium parties provide that the responsibility for the performance of the LTSA is borne entirely by Siemens Energy sp. z o.o. and Siemens Energy Global GmbH & Co. KG.
At present, the project has obtained a construction permit (issued on 12 March 2024), design is underway, site acquisition has been completed and substantial construction work has commenced.

Olefiny III Package K-003

On 5 July 2023, agreements (two separate agreements: non-assignable and assignable) were concluded between ORLEN S.A. and a Consortium comprising: Polimex Mostostal S.A., Naftoremont-Naftobudowa sp. z o.o. and KTI Poland S.A.
The Assignment Agreement provides for the transfer of ORLEN S.A.'s rights and obligations under the Agreement to a special purpose vehicle, ORLEN OLEFINY Sp. z o.o. (SPV).
The subject of the aforementioned Agreements is the implementation of the task titled: "PACKAGE K-003 from the scope of OSBL of the Olefin installation expansion package" covering the execution of multi-discipline works in the EPC formula within the framework of Package K-003, including the execution of the executive design, construction design, obtaining a building and use permit decision, performing analyses, expert opinions and inventories necessary for the construction of flare installations, flyovers, technological, power and auxiliary media pipelines, a reduction station, underground piping, construction of medium and low voltage lines, roads, pavements, car parks, fencing, pumping station, etc. and other works. The total net remuneration under the Agreements is expressed in three (3) currencies and amounts to PLN 3,767,661 thousand, USD 7,437 thousand and EUR 16,604 thousand. As at the balance sheet date, the total Remuneration calculated on the basis of average exchange rates as at 29 December 2023 is net PLN 3,869,120 thousand (gross PLN 4,759,017 thousand), of which:

- the remuneration under the "Non-Assignable Agreement" will be approximately 83% of the remuneration,
- the remuneration under the "Assignable Agreement" will be approximately 17% of the remuneration.

(in thousands of PLN)

The remuneration attributable to the Issuer and its subsidiary amounts to 88.3% , i.e. PLN 3,418,289 thousand net (PLN 4,204,496 thousand gross) of the aforementioned total remuneration.
The term for the execution of the subject matter of the Agreements was set at 45 months from the date of their entry into force, which shall be deemed to be the date on which the other party affixed its signature.

The design documentation is currently under discussion, with construction work scheduled to commence in mid-2024.

7.5. Other operating revenues

	Year ended on 31 December 2023	Year ended on 31 December 2022
Profit from the sale of tangible fixed assets	962	1,424
Dissolution of the provision for litigations	846	1,958
Dissolution of other provisions	799	5
Release of inventory write-offs	144	134
Profit on revaluation of fixed assets to fair value	2,088	–
Revaluation of investment property to fair value	18,880	1,357
Penalties and compensations received	1,114	1,179
Court settlement	277	190
Waiver on liabilities	1,741	1,287
Other	1,973	2,468
Total other operating revenues	**28,824**	**10,002**

7.6. Other operating costs

	Year ended on 31 December 2023	Year ended on 31 December 2022
Establishment of the provision for litigations	559	1,757
Establishment of write-offs on inventory	2,838	2,062
Costs of the liquidation of fixed and current assets	397	–
Penalties and compensations	969	2,291
Court costs and costs of lost court cases	2,052	638
Write-off of receivables	40	340
Donations	124	100
Other	820	1,300
Total other operating costs	**7,799**	**8,488**

7.7. Financial income

	Year ended on 31 December 2023	Year ended on 31 December 2022
Revenues from bank interests	15,397	14,244
Income due to the interest on late payment of receivables	953	1,283
Foreign exchange profits	–	3,607
Adjustment for discounting settlements	–	1,602
Profit on liquidation of a subsidiary	–	62
Dissolution of provisions for the financial costs	2	158
Revenues from dividends	16	14
Other	468	476
Total financial income	**16,836**	**21,446**

(in thousands of PLN)

7.8. Financial costs

	Year ended on 31 December 2023	Year ended on 31 December 2022
Interest on bank loans and borrowings	4,824	5,323
Interest and commissions on bonds	12,438	11,962
Interest on other liabilities	2,143	1,283
Financial costs due to lease agreements	2,628	1,843
Foreign exchange losses	14,822	–
Bank charges on guarantees and loans	1,636	1,194
Loss on sale of financial assets	85	625
Valuation of long-term settlements with amortised costs	134	–
Other	441	616
Total financial costs	**39,151**	**22,846**

7.9. Costs classified by type

	Year ended on 31 December 2023	Year ended on 31 December 2022
Depreciation	43,718	40,154
Use of materials and energy	801,833	1,341,598
External services including construction	1,592,263	1,642,280
Taxes and payments	18,259	15,283
Costs of employee benefits	599,829	559,878
Other classified costs	31,555	15,233
Total costs classified by type	**3,087,457**	**3,614,426**
Items included in the costs of sales	(29,706)	(30,789)
Items included in the general administration expenses	(83,217)	(76,914)
Value of goods and materials sold	35,014	38,270
Change in finished goods	40,478	(40,531)
Cost of producing services for own needs of the entity	(9,889)	(625)
Cost of goods sold	**3,040,137**	**3,503,837**

The costs of short-term leasing and leasing of low-value assets incurred in 2023 amounted to PLN 88,306 thousand, while in 2022 amounted to PLN 66,446 thousand. These costs are presented as a component of costs of external services.

(in thousands of PLN)

7.10. Depreciation costs included in the profit and loss account

	Year ended on 31 December 2023	Year ended on 31 December 2022
Items presented as cost of goods sold	41,149	37,535
Depreciation of tangible fixed assets	40,346	37,187
Depreciation of intangible assets	803	348
Items included in the costs of sales	843	768
Depreciation of tangible fixed assets	833	758
Depreciation of intangible assets	10	10
Items included in the general administration expenses	1,726	1,851
Depreciation of tangible fixed assets	1,612	1,669
Depreciation of intangible assets	114	182
Total depreciation and write-offs	**43,718**	**40,154**

7.11. Costs of employee benefits

	Year ended on 31 December 2023	Year ended on 31 December 2022
Remuneration	475,394	448,711
Social insurance costs	91,146	82,688
Retirement benefit costs	1,163	1,327
Jubilee bonuses	123	170
Other post-employment benefits	3,024	1,235
Write-offs for the Company Social Benefits Fund	7,863	7,381
Other (including working clothes, cleaning products)	21,116	18,366
Total costs of employee benefits	**599,829**	**559,878**
Items presented as cost of goods sold	528,399	491,240
Items included in the costs of sales	10,123	9,936
Items included in the general administration expenses	61,307	58,702

8. Income tax

8.1. Current income tax

The main components of the tax burden for the year ended on 31 December 2023 and for the year ended on 31 December 2022 are as follows:

	Year ended on 31 December 2023	Year ended on 31 December 2022
Consolidated profit and loss account		
Current income tax liabilities	8,532	20,882
Foreign income tax for the previous years	41	13
Deferred income tax	(24,308)	13,871
Tax burden due to continued business activity recognised in the consolidated profit and loss account	**(15,735)**	**34,766**
Consolidated comprehensive income statement		
Deferred income tax due to revaluation of land and buildings	(5,158)	174
Deferred income tax from valuation of liabilities due to post-employment benefits	902	614

(in thousands of PLN)

Tax burden due to continued business activity recognised in the consolidated statement of comprehensive income	**(4,256)**	**788**

Income tax on pre-tax profit differs in the following manner from the theoretical amount that would be obtained using a weighted average tax rate (applicable to the revenues of consolidated companies):

	Year ended on 31 December 2023	Year ended on 31 December 2022
Profit / (loss) before tax	**(138,948)**	**165,819**
Tax at the statutory income tax rate applicable in Poland, which in 2023 was 19% (2022: 19%)	(26,450)	31,496
Tax effects from the following items:		
- Non-taxable income	(558)	(6,791)
- Expenses not deductible for tax purposes	2,123	8,284
- Adjustments regarding current income tax from previous years	626	261
– Recognition of assets due to deferred tax not recognised in the previous years	(159)	(53)
– Tax losses and negative temporary differences due to which the deferred tax assets were not recognised	9,364	1,968
- Tax deductible costs not included in the financial result	(597)	(612)
- Differences in the tax rate of foreign entities and small taxpayers	–	(115)
- Other	(84)	328
Income tax expense	**(15,735)**	**34,766**

(in thousands of PLN)

8.2. Deferred income tax

The changes in assets and reserves due to deferred income tax during the year (before including their compensation within one tax jurisdiction) are as follows:

Deferred tax liabilities	Temporary differences regarding tangible fixed assets	Valuation of contracts	Foreign exchange rate differences	Other	Equity component of bonds	Total
Status as at 01 January 2022	**16,411**	**4,256**	**94**	**2,312**	**1,227**	**24,300**
Charge / (recognition) of the financial result	95	1,396	58	(206)	95	1,438
Charge / (recognition) of equity	174	–	–	–	–	174
Status as at 31 December 2022	**16,680**	**5,652**	**152**	**2,106**	**1,322**	**25,912**
Charge / (recognition) of the financial result	428	(409)	30	(307)	(1,314)	(1,572)
Charge / (recognition) of equity	4,256	–	–	–	–	4,256
Status as at 31 December 2023	**21,364**	**5,243**	**182**	**1,799**	**8**	**28,596**
Presentation of net deferred tax assets and liabilities, including compensation within one tax jurisdiction						(26,423)
Deferred tax liabilities in the balance sheet						**2,173**

(in thousands of PLN)

Deferred tax assets	Temporary differences regarding tangible fixed assets	Employee benefit liabilities	Foreign exchange rate differences	Write-offs on inventory	Write-offs on receivables	Valuation of contracts	Provisions	Tax losses	Debt financing limit	Other	Total
Status as at 01 January 2022	**15,692**	**17,232**	**–**	**1,579**	**12,018**	**53,209**	**41,898**	**33,825**	**102**	**1,309**	**176,864**
Recognition / (charge) of the financial result	(2,880)	(268)	31	366	2,574	(14,699)	11,739	(9,540)	10	(919)	(13,586)
Recognition / (charge) of other comprehensive income	–	434	–	–	–	–	–	–	–	–	434
Status as at 31 December 2022	**12,812**	**17,398**	**31**	**1,945**	**14,592**	**38,510**	**53,637**	**24,285**	**112**	**390**	**163,712**
Recognition / (charge) of the financial result	(6,791)	(1,866)	599	458	(1,385)	(23,968)	(4,015)	58,761	241	607	22,641
Recognition / (charge) of other comprehensive income		434	–	–	–	–	–	–	–	–	434
Status as at 31 December 2023	**6,021**	**15,966**	**630**	**2,403**	**13,207**	**14,542**	**49,622**	**83,046**	**353**	**997**	**186,787**
Presentation of net deferred tax assets and liabilities, including compensation within one tax jurisdiction											(26,423)
Deferred tax assets in the balance sheet											**160,364**

(in thousands of PLN)

Deferred income tax assets and liabilities are presented as follows:

	Status as at 31 December 2023	Status as at 31 December 2022
Deferred income tax assets:		
before compensation		
- to be implemented after 12 months	22,256	23,911
- to be implemented within 12 months	164,531	139,801
	186,787	**163,712**
Deferred income tax provision:		
before compensation		
- to be implemented after 12 months	13,256	10,849
- to be implemented within 12 months	15,340	15,063
	28,596	**25,912**

As at 31 December 2023, the Group had PLN 477,958 thousand of unsettled tax losses (comprising losses of PLN 371,592 thousand in Polimex Mostostal S.A, PLN 51,298 thousand in Polimex Energetyka Sp. z o.o, PLN 10,587 in Polimex Budownictwo Sp. z o.o. s.k., PLN 21 909 thousand in Instal Lublin S.A., PLN 20 775 thousand in Energomontaż – Północ Bełchatów S.A., PLN 1 770 thousand in Polimex Operator Sp. z o.o. s.k. and PLN 27 thousand in Polimex Budownictwo Sp. z o.o.). The value of deferred tax assets due to unsettled tax losses amounted to PLN 83,046 thousand. As at 31 December 2023, there are unrecognised tax loss assets in subsidiaries: In Polimex Energetyka Sp. z o.o. from the amount of PLN 30,137 thousand and in Energomontaż – Północ Bełchatów S.A. from the amount of PLN 10,729 thousand. The Group carried out an analysis of the recoverability of assets due to tax loss based on the anticipated tax results and additional one-off events fostering the recovery of tax losses incurred in the previous reporting periods. The analysis was prepared using the best estimates and under the most probable scenario. A change in individual assumptions and elimination of one-off events fostering the recovery of tax losses from the analysis could lead to other conclusions regarding the amount of recoverable losses. The performed analysis is particularly sensitive to changes in the amount of expected tax revenues and costs obtained from operating activities. The main limitation in the possibility of settling tax losses is the 5-year period indicated in the regulations when tax losses can be settled. According to the analysis performed, the Group will use tax losses in the following periods: 2024 (in the amount of PLN 38,980 thousand), 2025 (in the amount of PLN 18,902 thousand), 2026 (in the amount of PLN 4,111 thousand), 2027 (in the amount of PLN 18,355 thousand) and 2028 (in the amount of PLN 2,698 thousand). One-off events supporting the recoverability of tax losses relate to the achievement of additional tax income in the subsidiaries Polimex Energetyka Sp. z o.o., Instal Lublin S.A. and Energomontaż – Północ Bełchatów S.A. The Management Board of the entity assesses that the occurrence of one-off events supporting the deductibility of tax losses is highly probable.

9. Profit per share

Basic profit per share is calculated by dividing the net profit attributable to ordinary equity holders of the parent company for a given period by the weighted average number of ordinary shares issued during the reporting period.

The Group has financial liabilities arising from convertible bonds. The data on profit and shares which were used to calculate the profit per share is presented below:

(in thousands of PLN)

	Year ended on 31 December 2023	Year ended on 31 December 2022
Net profit / (loss)	**(123,213)**	**132,408**
Adjustment to net profit/(loss) – interest costs of convertible bonds	10,075	9,655
Net profit / (loss) after adjustment to calculation of diluted loss per share	**(113,138)**	**142,063**
number of shares registered as at the balance sheet date	242,368 802	239,868,802
weighted average number of ordinary shares used to calculate ordinary loss per share	241,277,021	238,653,049
Dilutive potential ordinary shares related to convertible bonds	34,591,781	37,215,753
Total number of shares used to calculate diluted profit / (loss) per share	275,868,802	275,868,802
Basic profit per share attributable to shareholders of the parent company (in PLN)	**(0.511)**	**0.555**
Diluted profit per share attributable to shareholders of the parent company (in PLN)	**(0.410)**	**0.515**

10. Dividends paid and proposed for payment

In 2023 the parent company did not declare or pay dividends. The parent company does not anticipate the payment of dividends in 2024 for the financial year ended on 31 December 2023.

(in thousands of PLN)

11. Tangible fixed assets

11.1. Tables of tangible fixed assets flows

The table below presents the net value of tangible fixed assets as at 31 December 2023.

	Lands, buildings and structures	Machines and equipment	Means of transportation	Other tangible fixed assets	Tangible fixed assets under construction	Advance payments for tangible fixed assets under construction	Total
Own tangible fixed assets	277,347	95,363	9,285	4,102	26,000	882	412,979
Right-of-use assets	36,365	5,970	25,700	1,038	–	–	69,073
Total tangible fixed assets	**313,712**	**101,333**	**34,985**	**5,140**	**26,000**	**882**	**482,052**

The table below presents the value of tangible fixed assets as at 31 December 2023.

	Lands, buildings and structures	Machines and equipment	Means of transportation	Other tangible fixed assets	Tangible fixed assets under construction	Advance payments for tangible fixed assets under construction	Total
Net value as at 01 January 2023	**255,536**	**103,423**	**9,672**	**3,943**	**3,891**	**–**	**376,465**
Purchase of tangible fixed assets	1,416	7,067	982	1,825	25,742	1,413	**38,445**
Decrease/increase due to settlement of fixed assets under construction	1,197	2,711	49	172	(4,129)	–	–
Decrease/increase due to settlement of prepayments	–	–	–	–	531	(531)	–
Sale and liquidation of tangible fixed assets	(552)	(76)	(52)	(31)	–	–	**(711)**
Revaluation	31,265	–	–	–	–	–	**31,265**
Other reclassification	151	(518)	–	9	(35)	–	**(393)**
Foreign exchange rate differences	(578)	(661)	(45)	(18)	–	–	**(1,302)**
Depreciation charge for the financial period	(11,088)	(16,583)	(1,321)	(1,798)	–	–	**(30,790)**
Net value as at 31 December 2023	**277,347**	**95,363**	**9,285**	**4,102**	**26,000**	**882**	**412,979**
As at 01 January 2023							
Gross value	**281,628**	**339,370**	**32,821**	**24,426**	**5,281**	–	**683,526**
Depreciation and impairment write-off	**(26,092)**	**(235,947)**	**(23,149)**	**(20,483)**	**(1,390)**	–	**(307,061)**
Net value	**255,536**	**103,423**	**9,672**	**3,943**	**3,891**	**–**	**376,465**
As at 31 December 2023							
Gross value	**293,339**	**345,382**	**32,905**	**25,649**	**27,390**	**882**	**725,547**
Depreciation and impairment write-off	**(15,992)**	**(250,019)**	**(23,620)**	**(21,547)**	**(1,390)**	–	**(312,568)**
Net value	**277,347**	**95,363**	**9,285**	**4,102**	**26,000**	**882**	**412,979**

(in thousands of PLN)

The table below presents the right-of-use assets recognised in accordance with the concluded lease agreements, as at 31 December 2023.

	Lands, buildings and structures	Machines and equipment	Means of transportation	Other tangible fixed assets	Total
Net value as at 01 January 2023	**38,784**	**5,964**	**17,380**	**1,876**	**64,004**
Conclusion of new lease agreements	1,950	394	13,783	598	**16,725**
Termination of lease agreements	–	(28)	(136)	–	**(164)**
Other reclassification	–	509	–	–	**509**
Depreciation charge for the financial period	(4,369)	(869)	(5,327)	(1,436)	**(12,001)**
Net value as at 31 December 2023	**36,365**	**5,970**	**25,700**	**1,038**	**69,073**
As at 01 January 2023					
Gross value	**48,599**	**7,416**	**24,795**	**3,150**	**83,959**
Depreciation and impairment write-off	**(9,815)**	**(1,452)**	**(7,415)**	**(1,274)**	**(19,956)**
Net value	**38,784**	**5,964**	**17,380**	**1,876**	**64,004**
As at 31 December 2023					
Gross value	**49,998**	**8,069**	**34,639**	**3,564**	**96,270**
Depreciation and impairment write-off	**(13,633)**	**(2,099)**	**(8,939)**	**(2,526)**	**(27,197)**
Net value	**36,365**	**5,970**	**25,700**	**1,038**	**69,073**

(in thousands of PLN)

The table below presents the net value of tangible fixed assets as at 31 December 2022.

	Lands, buildings and structures	Machines and equipment	Means of transportation	Other tangible fixed assets	Tangible fixed assets under construction	Advance payments for tangible fixed assets under construction	Total
Own tangible fixed assets	255,536	103,423	9,672	3,943	3,891	–	376,465
Right-of-use assets	38,784	5,964	17,380	1,876	–	–	64,004
Total tangible fixed assets	**294,320**	**109,387**	**27,052**	**5,819**	**3,891**	**–**	**440,469**

The table below presents the value of tangible fixed assets as at 31 December 2022.

	Lands, buildings and structures	Machines and equipment	Means of transportation	Other tangible fixed assets	Tangible fixed assets under construction	Advance payments for tangible fixed assets under construction	Total
Net value as at 01 January 2022	**260,303**	**102,966**	**10,746**	**2,850**	**5,083**	**64**	**382,012**
Purchase of tangible fixed assets	1,201	7,851	357	1,685	10,144	694	**21,932**
Decrease / increase due to the settlement of a tangible fixed asset under construction	1,355	9,574	23	1,046	(11,998)	–	–
Decrease/increase due to settlement of prepayments	–	64	–	–	694	(758)	–
Sale and liquidation of tangible fixed assets	(290)	(304)	(17)	1	–	–	**(610)**
Reclassification from/to investment property	4,622	–	–	–	(30)	–	**4,592**
Foreign exchange rate differences	(639)	(569)	(101)	(32)	(2)	–	**(1,343)**
Depreciation charge for the financial period	(11,016)	(16,159)	(1,336)	(1,607)	-	–	**(30,118)**
Net value as at 31 December 2022	**255,536**	**103,423**	**9,672**	**3,943**	**3,891**	–	**376,465**
As at 01 January 2022							
Gross value	**276,387**	**331,599**	**34,440**	**23,254**	**6,473**	**64**	**672,217**
Depreciation and impairment write-off	**(16,084)**	**(228,633)**	**(23,694)**	**(20,404)**	**(1,390)**	–	**(290,205)**
Net value	**260,303**	**102,966**	**10,746**	**2,850**	**5,083**	**64**	**382,012**
As at 31 December 2022							
Gross value	**281,628**	**339,370**	**32,821**	**24,426**	**5,281**	–	**683,526**
Depreciation and impairment write-off	**(26,092)**	**(235,947)**	**(23,149)**	**(20,483)**	**(1,390)**	–	**(307,061)**
Net value	**255,536**	**103,423**	**9,672**	**3,943**	**3,891**	–	**376,465**

(in thousands of PLN)

The table below presents the right-of-use assets recognised in accordance with the concluded lease agreements, as at 31 December 2022.

	Lands, buildings and structures	Machines and equipment	Means of transportation	Other tangible fixed assets	Total
Net value as at 01 January 2022	**23,617**	**3,446**	**12,689**	**3,047**	**42,799**
Conclusion of new lease agreements	18,610	3,299	9,135	248	**31,292**
Termination of lease agreements	(434)	(1)	(145)	(11)	**(591)**
Depreciation charge for the financial period	(3,009)	(780)	(4,299)	(1,408)	**(9,496)**
Net value as at 31 December 2022	**38,784**	**5,964**	**17,380**	**1,876**	**64,004**
As at 01 January 2022					
Gross value	**30,544**	**4,345**	**17,429**	**4,190**	**56,508**
Depreciation and impairment write-off	**(6,927)**	**(899)**	**(4,740)**	**(1,143)**	**(13,709)**
Net value	**23,617**	**3,446**	**12,689**	**3,047**	**42,799**
As at 31 December 2022					
Gross value	**48,599**	**7,416**	**24,795**	**3,150**	**83,959**
Depreciation and impairment write-off	**(9,815)**	**(1,452)**	**(7,415)**	**(1,274)**	**(19,956)**
Net value	**38,784**	**5,964**	**17,380**	**1,876**	**64,004**

(in thousands of PLN)

11.2. Fair values of land, buildings, structures.

Tangible fixed assets are shown at the purchase price/production cost less depreciation and impairment losses, except for the asset class defined as real estate and structures permanently connected with land, i.e. real estate developed with a complex of warehouse, industrial and office buildings ("Lands and buildings"). The above asset class has been measured at fair value starting from October 2013.

A valuation of Fixed Assets was carried out in 2023. The value of fixed assets subject to the revaluation model if the Group had not carried out the valuation would have amounted to PLN 167,868 thousand as at 31 December 2023.

The valuations were prepared by independent property appraisers. The income approach and the comparative approach were applied. The techniques used for the valuation were based on unobservable input data.

The table below shows the fixed assets that were subject to valuation at fair value as at 31 December 2023. The individual levels are defined as follows:

- Quoted prices (unadjusted) from active markets for identical assets or liabilities (level 1).
- Input data other than quotations within the level 1 scope observable for the asset or liability, directly (i.e. in the form of prices) or indirectly (i.e. based on price-based calculations) (level 2).
- Input data for the valuation of an asset or liability that is not based on observable market data (i.e. unobservable data) (level 3).

The entire fair value valuation for fixed assets was categorised in the fair value hierarchy at level 3. The fair values estimated on the basis of the appraisals were not determined for the real estate in the company Czerwonogradzki Zakład Konstrukcji Stalowych and the fair values of the real estate for this entity are not included in the table below.

	Fair value as at 31 December 2023 Level 3
Properties developed with a complex of warehouse, industrial and office buildings	63,403
Properties developed with a complex of production, warehouse, industrial and office buildings	210,178
Total	**273,581**

Information on the fair value measurement carried out during the period using significant unobservable data:

(in thousands of PLN)

<table>
<tr><th>Valuation techniques</th><th>Unobservable data</th><th>Unobservable data range (probability weighted average)</th><th>Relations between unobservable data and fair value</th></tr>
<tr><td colspan="3">Real estate developed with a complex of buildings of a warehouse, industrial and office character, including land constituting a part of real estate developed with a complex of buildings of a production, office and warehouse character</td><td>63,403</td></tr>
<tr><td rowspan="5">Comparative approach, average price correction method</td><td rowspan="4">Average price per square metre of comparable real estate according to the intended use</td><td>- average price per square metre of usable floor area of comparable real estate buildings PLN 1 161.91 (Jasielsk district);</td><td rowspan="4">An increase in the average price per square meter increases the value of real estate (and vice versa)</td></tr>
<tr><td>- average price per square metre of usable floor area of comparable real estate buildings: PLN 928 and 1,434.16 per square metre (Płock district);</td></tr>
<tr><td>- average price per square metre of usable floor area of comparable real estate buildings PLN 1,218.83 (Krosno district);</td></tr>
<tr><td>- average price per square metre of usable floor area of comparable real estate PLN 3,031.52 (Siedlce district)</td></tr>
<tr><td>Correction coefficient</td><td>K= 0,7987;K= 0,8438; K=1,064; K=1,0796</td><td>A small increase in the coefficient applied would result in a significant decrease in the fair value of the property (and vice versa)</td></tr>
<tr><td>Comparative approach, average price correction method</td><td>Average price per square meter of comparable land, depending on the purpose</td><td>- average price per square metre of comparable real estate PLN 35 (Bełchatów district), correction coefficient W=1.069;</td><td>An increase in the average price per square meter increases the value of real estate (and vice versa)</td></tr>
<tr><td rowspan="2">Income approach, investment method, simple capitalisation technique</td><td>The rate of rent</td><td>- PLN 13- 17 per square metre per month (Bełchatów district);</td><td>An increase in the average price per square meter increases the value of real estate (and vice versa)</td></tr>
<tr><td>Capitalisation rate</td><td>The capitalisation rate was applied taking into account the income capitalisation, type of property and prevailing market conditions: 9.50%</td><td>A small increase in the rate applied would result in a significant decrease in the fair value of the property (and vice versa).</td></tr>
</table>

(in thousands of PLN)

Properties developed with a complex of production, office and warehouse buildings			**210,178**
Income approach, profit method, simple capitalisation technique	Capitalisation rate	The capitalisation rate was applied taking into account the income capitalisation, type of property and prevailing market conditions of 11.18%.	A slight increase in the capitalisation rate would cause a significant decrease in the fair value of the property (and vice versa).
	The rate of rent	- PLN 45 per square metre per month for office properties; PLN 23 – 28 per square metre for workshop and warehouse properties; PLN 10 – 15 per square metre; PLN 5 – 8 per square metre for storage yard area (Lublin district);	A significant increase in market-price rent would cause a significant increase in fair value (and vice versa).
Comparative approach, average price correction method	Average price per square metre of comparable real estate according to the intended use	- average price per square metre of usable floor area of comparable real estate buildings PLN 1928.75 (Sokołów district);	An increase in the average price per square meter increases the value of real estate (and vice versa)
	Correction coefficient	K= 0,8850; K=0,9675;	A small increase in the coefficient applied would result in a significant decrease in the fair value of the property (and vice versa)
Income approach, investment method, simple capitalisation technique	Capitalisation rate	The capitalisation rate was applied taking into account the income capitalisation, type of property and prevailing market conditions of 13%.	A slight increase in the capitalisation rate would cause a significant decrease in the fair value of the property (and vice versa).
	The rate of rent	- 9 – 13 per square metre for comparable properties (Nisko district); PLN 15.5 – 21.5 per square metre per month for production, office and warehouse properties (Siedlce district);	A significant increase in market-price rent would cause a significant increase in fair value (and vice versa).
Comparative approach, pair comparison method (land)	Average price per square meter of comparable land, depending on the purpose	- average price per square metre of comparable properties PLN 115.96 and PLN 135.48 (Siedlce district) correction coefficient K=0.91, average price per square metre of perpetual usufruct right PLN 115.96 (Siedlce district);	An increase in the average price per square meter increases the value of real estate (and vice versa)
		- average price per square metre of comparable real estate PLN 441.26 (Lublin district)	
		- average price per square metre of comparable real estate PLN 36.55 (Nisko district);	

12. Investment property

The rental income generated by investment property amounted to PLN 3,912 thousand in 2023 and PLN 5,738 thousand in 2022. Direct operating costs related to investment property that generated the rent income amounted to PLN 3,750 thousand in 2023 and PLN 4,223 thousand in 2022.

On 9 January 2024, a preliminary agreement was concluded for the sale of the property located in Kraków at ul. Powstańców 66. Due to this transaction, in accordance with IFRS 5, the property was presented as investment property held for sale at 31 December 2023. The value of this property has increased by PLN 11,987 thousand from PLN 27,500 thousand and amounts to PLN 39,487 thousand as at 31 December 2023. The revaluation amount is disclosed in Note 7.5. Other operating revenues.

Investment property is recognised at fair value. A fair value assessment was carried out in 2023.

The valuations were prepared by independent property appraisers. The income approach, the investment approach, the simple capitalisation technique and the comparative approach, the pairs comparison method, were used. The techniques used for the valuation were based on unobservable input data. For land, the valuation technique used was the comparative approach and the income approach. The property appraiser determined that, after taking into account the purpose and scope of the appraisal, the purpose of the property, its legal and development status and market information on similar properties, the appropriate procedure to determine the market value of the property would be the income approach, the investment method, the simple capitalisation technique and the mixed approach, the liquidation cost method, the index technique.

The table below presents investment property that were measured at fair value as at 31 December 2023. The individual levels are defined as follows:

- Quoted prices (unadjusted) from active markets for identical assets or liabilities (level 1).
- Input data other than quotations within the level 1 scope observable for the asset or liability, directly (i.e. in the form of prices) or indirectly (i.e. based on price-based calculations) (level 2).
- Input data for the valuation of an asset or liability that is not based on observable market data (i.e. unobservable data) (level 3).

The fair value measurements for investment properties have been fully classified at level 3 of the fair value hierarchy.

The table below presents the information on the fair value measurement carried out during the period using significant unobservable input data

(in thousands of PLN)

Property Description:

Real estate developed with a complex of buildings of production, office and warehouse character with fair value as at 31 December 2023 amounting to PLN 23,874 thousand.

<table>
<tr><td colspan="4">(a) Income approach, investment method, simple capitalisation technique, profit method;</td></tr>
<tr><th colspan="2">Unobservable data</th><th>Unobservable data range (probability weighted average)</th><th>Relations between unobservable data and fair value</th></tr>
<tr><td colspan="2">Capitalisation rate</td><td>The capitalisation rate was applied taking into account the income capitalisation, type of property and prevailing market conditions: 10.50%</td><td>A slight increase in the capitalisation rate would cause a significant decrease in the fair value of the property (and vice versa).</td></tr>
<tr><td colspan="2" rowspan="2">The rate of rent</td><td>- 1,287.86 per square metre per month for production, office and warehouse properties (Siedlce district);</td><td rowspan="2">A significant increase in market-price rent would cause a significant increase in fair value (and vice versa).</td></tr>
<tr><td>- average price per square meter of comparable property: PLN 45 per square metre per month for office properties; PLN 23 – 28 per square metre for workshop and warehouse properties; PLN 10 – 15 per square metre; PLN 5 – 8 per square metre for storage yard area (Lublin district).</td></tr>
<tr><td colspan="4">b) Comparative approach</td></tr>
<tr><th colspan="2">Unobservable data</th><th>Unobservable data range (probability weighted average)</th><th>Relations between unobservable data and fair value</th></tr>
<tr><td>Comparative approach</td><td>Average price per square meter of comparable land, depending on the purpose</td><td>- average price per square metre of comparable properties PLN 441.26 per square metre (Lublin district);</td><td rowspan="2">An increase in the average price per square meter increases the value of real estate (and vice versa)</td></tr>
<tr><td>Comparative approach, pair comparison method</td><td>Average price per square meter of comparable land, depending on the purpose</td><td>- average price per square metre of comparable properties PLN 104.36 (Siedlce district), correction coefficient K=1.10</td></tr>
</table>

13. Goodwill from consolidation

	Status as at 31 December 2023	Status as at 31 December 2022
Power Sector	91,220	91,220
Total	**91,220**	**91,220**

As at 31 December 2023 in accordance with the principles of IAS 36, the Management Board of Polimex Mostostal S.A. conducted tests for the permanent impairment of goodwill on consolidation that occured in previous periods. The level of the operating segment is the level at which the Management Board of the Group monitors goodwill. Goodwill for 2023 has been fully allocated to the power sector segment.

The table below presents the main financial data, assumptions adopted during the test and the test results:

Financial data and test results				
Segment	Tested value	Estimated value in use	Impairment of goodwill	Value of the company
Power sector	109,745	238,102	-	91,220

(in thousands of PLN)

Main assumptions				
Segment	Weighted average cost of capital (WACC)	Average operating profitability over the forecast period	Average annual expected sales revenues	Constant growth rate after the forecast period
Power sector	9.83%	1.64%	545,535	1.00%

The tested value included goodwill and net assets assigned to the power sector segment (Polimex Energetyka Sp. z o.o.). The adjusted discounted cash flow value of the power generation segment (value in use) was estimated at PLN 238,102 thousand. The valuation was made with the following assumptions: weighted average cost of capital (WACC): 9.83%, growth rate after the forecast period: 1.0%, average profitability at operating profit level over the forecast period: 1.64%, average annual expected revenues from sales of the energy segment: PLN 545,535 thousand).

In the opinion of the Management Board of Polimex Mostostal S.A. the changes in the key assumptions that could cause the carrying amount of the test centre to exceed the recoverable amount are unlikely.

14. Inventories

	Status as at 31 December 2023	Status as at 31 December 2022
Materials	61,341	75,174
Goods	120	447
Production in progress	58,545	76,426
Ready products	32,301	67,608
Total provisions	**152,307**	**219,655**

15. Trade and other receivables

Trade receivables do not bear interest and they usually have a payment period of 30 to 180 days.

The terms of transactions with related entities are presented in note 30.

	Status as at 31 December 2023	Status as at 31 December 2022
Trade receivables:	**500,616**	**399,293**
- from related entities	200,116	60,487
- from other entities	300,500	338,806
Other receivables:	**44,644**	**91,159**
Budget receivables:	28,197	76,448
- due to VAT	28,062	76,201
- other	135	247
Other receivables	16,447	14,711
Income tax receivables	**275**	**1,058**
Total receivables (net)	**545,535**	**491,510**
Write-downs on receivables	96,821	111,342
Total receivables (gross)	**642,356**	**602,852**

(in thousands of PLN)

Changes in write-offs on trade receivables:

	Status as at 31 December 2023	Status as at 31 December 2022
Write-off at the beginning of the period	106,896	107,560
Increase including:	**1,949**	**7,843**
- establishment of write-offs on receivables	1,949	7,843
Decrease including:	**14,410**	**9,457**
- use	13,516	5,282
- repayment of liabilities	894	4,175
Conversion due to recognition of a write-off on expected credit losses	**(1,648)**	**950**
Write-off at the end of the period	**92,787**	**106,896**

16. Financial instruments – impairment

Calculation of allowance for expected credit losses for receivables and deposits:

	Current and 30 days after the payment date	Overdue			**Total**
		from 31 to 90 days	from 91 to 180 days	over 181 days	
ECL receivables					
Ratio	0.03%	0.22%	1.70%	13.79%	
Value of write-offs on expected credit losses	154	18	34	1,847	2,053
ECL deposits					
Ratio	0.03%	0.22%	1.70%	13.79%	
of write-offs on expected credit losses	29	34	1	163	226

The value of individual impairment losses on trade receivables as at 31 December 2023 amounted to PLN 90,332 thousand and deposits to PLN 12,961 thousand.

The below table presents the gross value, revaluation write-offs and net value for individual categories of financial instruments.

	Status as at 31 December 2023		
	12-month ECL	**Lifetime ECL – without impairment**	**Lifetime ECL – with impairment**
Gross carrying amount	**493,560**	**605,450**	**118,086**
Trade receivables	–	496,741	96,662
Other receivables	–	13,191	7,290
Deposits due to the construction contracts	–	95,518	14,134
Cash and cash equivalents	493,560	–	–
Revaluation write-offs	**–**	**(2,699)**	**(107,326)**
Trade receivables	–	(2,455)	(90,332)
Other receivables	–	(1)	(4,033)
Deposits due to the construction contracts	–	(243)	(12,961)
Carrying amount	**493,560**	**602,751**	**10,760**
Trade receivables	–	494,286	6,330
Other receivables	–	13,190	3,257
Deposits due to the construction contracts	–	95,275	1,173
Cash and cash equivalents	493,560	–	–

(in thousands of PLN)

	Status as at 31 December 2022		
	12-month ECL	Lifetime ECL – without impairment	Lifetime ECL – with impairment
Gross carrying amount	**950,544**	**498,264**	**128,357**
Trade receivables	–	395,504	110,685
Other receivables	–	14,218	4,939
Deposits due to the construction contracts	–	88,542	12,732
Cash and cash equivalents	950,544	–	–
Revaluation write-offs	**–**	**(2,341)**	**(121,880)**
Trade receivables	–	(2,053)	(104,843)
Other receivables	–	(62)	(4,384)
Deposits due to the construction contracts	–	(226)	(12,652)
Carrying amount	**950,544**	**495,923**	**6,477**
Trade receivables	–	393,451	5,842
Other receivables	–	14,156	555
Deposits due to the construction contracts	–	88,316	80
Cash and cash equivalents	950,544	–	–

17. Long-term construction contracts

The table below provides the clarification on the balance changes regarding the valuation of contracts for 2023.

	Status as at 01 January 2023	Changes in valuation of contracts	Revenues recognised in 2023 included in the balance of liabilities as at 1 January 2023	Change in the period during which the right to remuneration becomes unconditional	Change in advances received	Status as at 31 December 2023
Construction contracts assets	237,181	343,522	–	(281,888)	49,763	348,578
Construction contracts liabilities	(324,171)	(99,537)	260,418	–	(200,596)	(363,886)
Total	**(86,990)**	**243,985**	**260,418**	**(281,888)**	**(150,833)**	**(15,308)**

The value of revenues earned in 2023 regarding performance obligations realised in previous periods amounted to PLN 260,418 thousand.

(in thousands of PLN)

The table below provides the clarification on the balance changes regarding the valuation of contracts for 2022.

	Status as at 01 January 2022	Changes in valuation of contracts	Revenues recognised in 2021 included in the balance of liabilities as at 1 January 2022	Change in the period during which the right to remuneration becomes unconditional	Change in advances received	Status as at 31 December 2022
Construction contracts assets	64,995	332,487	–	(155,770)	(4,531)	237,181
Construction contracts liabilities	(443,437)	(279,423)	330,134	–	68,555	(324,171)
Total	**(378,442)**	**53,064**	**330,134**	**(155,770)**	**64,024**	**(86,990)**

The value of deposits transferred and retained is shown in the table below:

Deposits due to the construction contracts	Status as at 31 December 2023	Status as at 31 December 2022
Retained by recipients	96,448	88,396
Retained by suppliers	91,685	78,817

The transaction price allocated to the performances of services that are pending at the end of the reporting period, to be executed:

	Status as at 31 December 2023	Status as at 31 December 2022
a) up to 1 year	3,593,711	2,731,440
b) over 1 year	4,503,766	731,142
Total	**8,097,477**	**3,462,582**

18. Cash and cash equivalents

	Status as at 31 December 2023	Status as at 31 December 2022
Cash at bank and in hand	420,950	143,808
Short-term deposits	72,610	806,736
Total	**493,560**	**950,544**
Restricted cash	*35,152*	*60,885*

The above balance of cash includes cash on the VAT accounts under split payment.

Cash in the bank bears interest at variable interest rates, the amount of which depends on the interest rate on overnight bank deposits. Short-term deposits are made for various periods, from one day to one month, depending on the Group's current demand for cash and they bear interest according to the interest rates determined for them.

The balance of restricted cash presented as at 31 December 2023 relates to funds which, as at that date, were held in the project account held for the Puławy contract. These accounts are used to receive payments from the Ordering Parties for services rendered and to make payments to subcontractors for work performed. Payments from the project accounts in question to subcontractors are made using the procedure of expenditure approval by an independent technical consultant appointed for the contract in question.

19. Cash flow statement

The below tables present the reconciliation of the change in the balance sheet items in the reporting period to the changes shown in the cash flow statement:

(in thousands of PLN)

	Year ended on 31 December 2023	Year ended on 31 December 2022
Change in receivables in the balance sheet	**(172,307)**	**(261,941)**
Adjustment for receivables from sales of tangible fixed assets	(249)	(1,687)
Adjustment for change in receivables due to set-offs	(1,441)	(5)
Foreign exchange adjustment – valuation of foreign receivables	(1,540)	(1,786)
Other	(1,379)	824
Change in receivables in the cash flow statement	**(176,916)**	**(264,595)**
Change in liabilities in the balance sheet	**(145,203)**	**177,742**
Adjustment for profit-sharing liabilities	(2,438)	(1,389)
Adjustment for liabilities due to investment purchases	(3,409)	(1,775)
Adjustment for lease liabilities	1,352	340
Adjustment for liabilities due to the valuation of actuarial reserves recognised in comprehensive income	(1,486)	1,001
Other	838	(639)
Change in liabilities in the cash flow statement	**(150,346)**	**175,280**

20. Assets held for sale

Pursuant to the provisions of the Intercreditor Agreement dated September 11, 2014, as amended, the Issuer was authorised to dispose of certain assets. The assets disposed of included redundant property, organised parts of the company and development and investment properties, as well as selected operating properties. The table below presents financial data concerning those assets whose disposal is planned within one year from the balance sheet date.

	Status as at 31 December 2023	Status as at 31 December 2022
Tangible fixed assets	408	486
Investment property	39,504	17
Assets held for sale	**39,912**	**503**

The valuation of investment property presented under assets held for sale corresponds to level 1 or 3 of the fair value hierarchy.
On 9 January 2024, a preliminary agreement was concluded for the sale of the property located in Kraków at ul. Powstańców 66. Due to this transaction, in accordance with IFRS 5, the property was presented as investment property held for sale at 31 December 2023. The value of this property as at 31 December 2023, presented in accordance with IFRS 5, amounts to PLN 39 487 thousand. This issue is described in more detail in Note 12 Investment properties.

21. Equity

21.1. Share capital

As at 31 December 2023 the company's share capital amounted to PLN 484,737,604 and was divided into 242,368,802 shares with a nominal value of PLN 2 each. The shares have been fully paid.

Share capital	Status as at 31 December 2023	Status as at 31 December 2022
Series A ordinary shares	86,618,802	86,618,802
Series T ordinary shares	150,000,000	150,000,000
Series S ordinary shares	5,750,000	3,250,000

(in thousands of PLN)

Total	**242,368,802**	**239,868,802**

Shareholders' rights

Each share has the right to one vote at the General Meeting of Shareholders. Shares of all series are equally privileged with regards to the dividends and return on capital. Acting on the basis of the lists of registered shareholders received from the Krajowy Depozyt Papierów Wartościowych S.A.(Central Securities Depository of Poland) in connection with the shareholders' meeting, on the basis of stock exchange announcements and information received from shareholders on 7 November 2023, the structure of shareholders holding, directly or indirectly through subsidiaries, at least 5% of the total number of votes as at 31 December 2023 was as follows:

Shareholder	Number of shares / votes	% in the share capital / in the total number of votes at the General Meeting of Shareholders
ENEA S.A. with the registered office in Poznań, ENERGA S.A. with the registered office in Gdańsk, PGE Polska Grupa Energetyczna S.A. with the registered office in Lublin, PGNiG Technologie S.A. with the registered office in Krosno – as Investors acting jointly and in agreement *	157,250,097	64.88%
Others – below 5% of the share capital	85,118,705	35.12%
The overall number of shares issued	**242,368,802**	**100.00%**

* Each entity held 16.22%

On 1 February 2023, 500,000 series S ordinary shares were registered in the bondholders' securities account and the Company's share capital was increased by PLN 1,000,000 (i.e. from PLN 479,737,604 to PLN 480,737,604), which is divided into 240,368,802 ordinary shares with a nominal value of PLN 2 each.

On 15 March 2023, one of the bondholders submitted a declaration of conversion of 3 series A bonds with a total nominal value of PLN 1,500,000 into 750,000 series S ordinary bearer shares with a nominal value of PLN 2 each, i.e. with a total nominal value of PLN 1,500,000.

On 14 April 2023, 750,000 series S ordinary shares were registered in the bondholders' securities account and the Company's share capital was increased by PLN 1,500,000 (i.e. from PLN 480,737,604 to PLN 482,237,604), which is divided into 241,118,802 ordinary shares with a nominal value of PLN 2 each.

On 14 June 2023, one of the bondholders submitted a declaration of conversion of 2 series A bonds with a total nominal value of PLN 1,000,000 into 500,000 series S ordinary bearer shares with a nominal value of PLN 2 each, i.e. with a total nominal value of PLN 1,000,000.

On 11 July 2023, 500,000 series S ordinary shares were registered in the bondholders' securities account and the Company's share capital was increased by PLN 1,000,000 (i.e. from PLN 482,237,604 to PLN 483,237,604), which is divided into 241,618,802 ordinary shares with a nominal value of PLN 2 each.

On 14 September 2023, one of the bondholders submitted a declaration of conversion of 3 series A bonds with a total nominal value of PLN 1,500,000 into 750,000 series S ordinary bearer shares with a nominal value of PLN 2 each, i.e. with a total nominal value of PLN 1,500,000.

On 05 October 2023, 750,000 series S ordinary shares were registered in the bondholders' securities account and the Company's share capital was increased by PLN 1,500,000 (i.e. from PLN 483,237,604 to PLN 484,737,604), which is divided into 242,368,802 ordinary shares with a nominal value of PLN 2 each.

On 14 December 2023, one of the bondholders submitted a declaration of conversion of 2 series A bonds with a total nominal value of PLN 1,000,000 into 500,000 series S ordinary bearer shares with a nominal value of PLN 2 each, i.e. with a total nominal value of PLN 1,000,000.

As at 31 December 2023, the conversion of the 2 bonds had not been registered and the shares had not been issued to the bondholder. Unregistered series S shares of 500,000 shares with a nominal value of PLN 2 each, i.e. with a total nominal value of PLN 1,000,000, as at 31 December 2023 were presented in the Company's balance sheet under Unregistered share issue.

(in thousands of PLN)

On 10 January 2024, 500,000 series S ordinary shares were registered in the bondholders' securities account and the Company's share capital was increased by PLN 1,000,000 (i.e. from PLN 484,737,604 to PLN 485,737,604), which is divided into 242,868,802 ordinary shares with a nominal value of PLN 2 each.

On 14 March 2024, one of the bondholders submitted a declaration of conversion of 3 series A bonds with a total nominal value of PLN 1,500,000 into 750,000 series S ordinary bearer shares with a nominal value of PLN 2 each, i.e. with a total nominal value of PLN 1,500,000.

On 17 April 2024, 750,000 series S ordinary shares were registered in the bondholders' securities account and the Company's share capital was increased by PLN 1,500,000 (i.e. from PLN 485,737,604 to PLN 487,237,604), which is divided into 243,618,802 ordinary shares with a nominal value of PLN 2 each.

At the date of the financial statements, the share capital structure was as follows:

Share capital	
Series A ordinary shares	86,618,802
Series T ordinary shares	150,000,000
Series S ordinary shares	7,000,000
Total	**243,618,802**

In connection with the convening of the Extraordinary General Meeting of Shareholders on 16 April 2024, the Company has received from the Krajowy Depozyt Papierów Wartościowych S.A.(Central Securities Depository of Poland) the list of shareholders registered for the above meeting as at 31 March 2024. As at 26 April 2024, the Company has not been informed of any other changes in the number of shares held by shareholders who have accumulated more than 5% of the total number of shares. To the best of the Company's knowledge, as at the date of approval of the Financial Statements, the structure of shareholders holding, directly or indirectly through subsidiaries, at least 5% of the total number of votes is as follows:

Shareholder	**Number of shares / votes**	**% in the share capital / in the total number of votes at the General Meeting of Shareholders**
ENEA S.A. with the registered office in Poznań, ENERGA S.A. with the registered office in Gdańsk, PGE Polska Grupa Energetyczna S.A. with the registered office in Lublin, PGNiG Technologie S.A. with the registered office in Krosno – as Investors acting jointly and in agreement *	157,750,097	64.75%
Others – below 5% of the share capital	85,868 705	35.25%
The overall number of shares issued	**243,618 802**	**100.00%**

** PGE Polska Grupa Energetyczna S.A., Enea S.A., PGNiG Technologie S.A., Energa S.A. – hold 16.19% each.*

21.2. Reserve capital

In accordance with Art. 396 § 1. of the Code of Commercial Companies and Partnerships to cover the loss, a reserve fund must be established, to which at least 8% of the profit for the financial year shall be assigned, as long as this capital does not reach at least one-third of the share capital. The reserve capital created in this way shall not be divided. As at 31 December 2023 supplementary capital of the Group reflects reserve capital of the Parent Company and amounts to PLN 319,549 thousand.

(in thousands of PLN)

21.3. Reserve capital from surplus of bonds convertible into shares

The equity component of the issued convertible bonds as at 31 December 2022 amounted to PLN 5,532 thousand. The change in the amount of these capitals is due to the settlement in the books of the bond-to-equity conversion transactions that took place on 01 February 2023, 14 April 2023, 12 July 2023 and 05 October 2023. These transactions are described in more detail in Note 22.1. As at 31 December 2023, the convertible bond surplus reserve amounts to PLN 5,175 thousand.

21.4. Accumulated other comprehensive income

Accumulated other comprehensive income consists of revaluation capital, actuarial gains/losses and foreign exchange differences on the translation of a foreign entity.

22. Bank loans, borrowings and other sources of financing

	Status as at 31 December 2023	Status as at 31 December 2022
Short-term including:	**37,363**	**33,560**
Bank loans	22,829	20,893
Lease liabilities	14,534	12,667
Long-term including	**75,755**	**89,915**
Bank loans	26,000	39,000
Lease liabilities	49,755	50,915
Total bank loans and lease liabilities	**113,118**	**123,475**

The table below presents changes in the value of loan liabilities.

	Status as at 31 December 2023	Status as at 31 December 2022
The value of bank loan liabilities at the beginning of the period	**59,893**	**72,660**
Currency valuation	(210)	(163)
Bank loans incurred	7,955	1,737
Accrued interest calculated at the effective interest rate	4,163	4,227
Interest payments	(3,911)	(4,466)
Capital payments	(19,061)	(14,102)
The value of bank loan liabilities at the end of the period	**48,829**	**59,893**

At 31 December 2023 and 31 December 2022, the Parent Company had no outstanding bank loans.

The Parent Company did not use bank loans to finance its business activities in 2023. The Parent Company's debt consists of bonds issued in 2014 and 2017, whose interest rate is based on the market rate of WIBOR 3M plus a margin. In turn, financing for loans to other Capital Group entities was based on the average WIBOR 1M + bank margin. Loan agreements and bonds are serviced in accordance with the applicable repayment schedule.

The table below presents changes in the value of lease liabilities.

	Status as at 31 December 2023	Status as at 31 December 2022
The value of lease liabilities at the beginning of the period	**63,582**	**43,039**
Incurring leasing commitments	17,634	32,186
Accrued interest calculated at the effective interest rate	2,679	1,848
Repayment of liabilities due to lease	(19,188)	(13,876)
Changes to leases	(418)	385
The value of bank loans, lease and borrowings liabilities at the end of the period	**64,289**	**63,582**

(in thousands of PLN)

23. Bonds

	Status as at 31 December 2023	Status as at 31 December 2022
Liabilities under the issue of series A and B bonds	88,126	97,105
Liabilities under the issue of series C bonds	15,134	14,762
Total	**103,260**	**111,867**

The table below presents a breakdown of the bonds into long- and short-term portions:

	Status as at 31 December 2023	Status as at 31 December 2022
Long-term bonds	**50,343**	**98,011**
Liabilities under the issue of series A and B bonds	50,343	83,249
Liabilities under the issue of series C bonds	–	14,762
Short-term bonds	**52,917**	**13,856**
Liabilities under the issue of series A and B bonds	37,783	13,856
Liabilities under the issue of series C bonds	15,134	–
Bonds in total	**103,260**	**111,867**

Series A and B bonds were issued on 1 October 2014. Series A bonds are bonds with the option of conversion into shares of the Company. The total value of proceeds from the issue was PLN 140,000 thousand.

On 27 September 2017 the C series bonds convertible into U series bearer shares were issued. The total value of issued bonds was PLN 14,500 thousand.

On 28 December 2020, with the holders of the issued series A, B and C bonds, it was agreed to modify the terms of issue of these bonds through the conclusion of agreements amending and unifying the relevant Terms of Bonds Issue covering, in particular, the change of the Final Redemption Date to 31 December 2026 in the case of series A and B bonds and 31 December 2024 in the case of series C bonds and the implementation of a new schedule for the mandatory redemption of series A and B bonds, under which, on the date of the transaction, the Company made :

- redemption of 35 series A convertible bonds with a nominal value of PLN 500 thousand each, together with accrued interest thereon,
- redemption of 100 Series B ordinary bonds with a unit nominal value of PLN 100 thousand, together with accrued interest thereon, and
- payment of accrued interest until 30 September 2020 in respect of the remaining 2014 Bonds.

The value of the above redemption was PLN 46,807 thousand (including PLN 27,500 thousand of bond redemption and PLN 19,307 thousand of interest repayment).

Under the new mandatory redemption schedule for the series A and B Bonds, the Company will make quarterly redemptions of successive holdings of bonds from 30 September 2021 until the Final Redemption Date on 31 December 2026.

In addition, other changes were introduced to the Terms of Bonds Issue in order to modify the rules of interest payment and to introduce changes postulated by the Company concerning modification of the existing provisions, including, among others, introduction of conditions concerning the rules of dividend payment by the Company, where the first resolution in this regard will be possible to be adopted after July 31st 2024 and the dividend payment itself will not exceed 30% of the amount of profit generated in a given financial year.

During 2022 and 2023, there were no changes to the terms and conditions of the bond issue, while mandatory redemptions of series A and B bonds were made according to schedule during those years. During 2023, the Company redeemed PLN 5 000 000 of series B bonds (PLN 1 300 000 on 2 January 2023, PLN 1 200 000 on 31 March 2023, PLN 1 300 000 on 30 June 2023 and PLN 1 200 000 on 2 October 2023). However, in the case of series A bonds:

(in thousands of PLN)

- on 15 March 2023, one of the bondholders submitted a declaration of conversion of 3 series A bonds with a total nominal value of PLN 1,500,000 into 750,000 series S ordinary bearer shares with a nominal value of PLN 2 each, i.e. with a total nominal value of PLN 1,500,000.
- on 14 June 2023, one of the bondholders submitted a declaration of conversion of 2 series A bonds with a total nominal value of PLN 1,000,000 into 500,000 series S ordinary bearer shares with a nominal value of PLN 2 each, i.e. with a total nominal value of PLN 1,000,000.
- on 14 September 2023, one of the bondholders submitted a declaration of conversion of 3 series A bonds with a total nominal value of PLN 1,500,000 into 750,000 series S ordinary bearer shares with a nominal value of PLN 2 each, i.e. with a total nominal value of PLN 1,500,000.
- on 14 December 2023, one of the bondholders submitted a declaration of conversion of 2 series A bonds with a total nominal value of PLN 1,000,000 into 500,000 series S ordinary bearer shares with a nominal value of PLN 2 each, i.e. with a total nominal value of PLN 1,000,000.

As at 31 December 2023, the conversion of 2 bonds with a value of PLN 1,000,000 had not been registered and the shares had not been issued to the bondholder.

On 10 January 2024, the aforementioned shares were registered in the bondholders' securities account and the Company's share capital was increased by PLN 1,000,000 (i.e. from PLN 484,737,604 to PLN 485,737,604).

On 14 March 2024, one of the bondholders submitted a declaration of conversion of 3 series A bonds with a total nominal value of PLN 1,500,000 into 750,000 series S ordinary bearer shares with a nominal value of PLN 2 each, i.e. with a total nominal value of PLN 1,500,000.

On 17 April 2024, 750,000 series S ordinary shares were registered in the bondholders' securities account and the Company's share capital was increased by PLN 1,500,000 (i.e. from PLN 485,737,604 to PLN 487,237,604), which is divided into 243,618,802 ordinary shares with a nominal value of PLN 2 each.

These transactions are described in Note 21.1.

The table below shows the valuation of series A, B and C bonds at amortised cost:

	Year ended on 31 December 2023	Year ended on 31 December 2022
The value of the liability at the beginning of the period	**111,867**	**115,542**
Accrued interest calculated at the effective interest rate	12,438	11,928
Interest payments	(11,045)	(6,903)
Redemption of bonds	(5,000)	(3,700)
Conversion of bonds into shares	(5,000)	(5,000)
The value of the liability at the end of the period	**103,260**	**111,867**

24. Assets pledged as collateral

In connection with the credit facilities granted to the Group companies, in particular bank guarantees, insurance guarantees, loans and covered ordinary and convertible bonds, the companies, on the basis of a number of agreements concluded, in particular enterprise pledge agreements, pledge agreements on individual assets (inter alia inventories, shares, movable fixed assets, bank accounts and other receivables of the company) and agreements on the establishment of mortgages, have pledged assets with a value of PLN 1,331,710 thousand as at 31 December 2023 to secure the claims of the Company's financing entities. In contrast, in the comparative period the value amounted to PLN 1,797,120 thousand.

(in thousands of PLN)

25. Provisions

	Provisions for warranty repairs	Provision for litigations	Provision for penalties	Provisions for the costs of contracts	Provision for losses	Provision for sureties	Other provisions	Total
Status as at 01 January 2023	**49,402**	**3,066**	**1,000**	**–**	**8,844**	**63**	**811**	**63,186**
Created in the financial year	13,075	65	–	–	24,679	336	774	**38,929**
Used	(4,361)	(795)	–	–	(9,391)	(334)	(717)	**(15,598)**
Dissolved	(10,539)	(59)	(575)	–	(113)	–	–	**(11,286)**
Foreign exchange rate differences	–	–	–	–	–	–	(71)	**(71)**
As at 31 December 2023	**47,577**	**2,277**	**425**	**–**	**24,019**	**65**	**797**	**75,160**
Short-term as at 31 December 2023	15,049	2,077	425	–	24,019	65	797	**42,432**
Long-term as at 31 December 2023	32,528	200	–	–	–	–	–	**32,728**
Status as at 01 January 2022	**32,295**	**6,796**	**1,050**	**–**	**1,758**	**60**	**2,444**	**44,403**
Created in the financial year	22,416	852	–	–	9,326	334	1,046	**33,974**
Used	(1,562)	(804)	(50)	–	(2,037)	(331)	(1,608)	**(6,392)**
Dissolved	(3,747)	(3,778)	–	–	(203)	–	(645)	**(8,373)**
Foreign exchange rate differences	–	–	–	–	–	–	(426)	**(426)**
As at 31 December 2022	**49,402**	**3,066**	**1,000**	**–**	**8,844**	**63**	**811**	**63,186**
Short-term as at 31 December 2022	16,504	2,866	1,000	–	8,844	63	811	**30,088**
Long-term as at 31 December 2022	32,898	200	–	–	–	–	–	**33,098**

(in thousands of PLN)

26. Employee benefit liabilities

	Status as at 31 December 2023	Status as at 31 December 2022
Payroll liabilities	28,052	26,796
Social security liabilities	27,929	25,694
Bonuses and rewards	34,930	38,480
Unused holidays	23,246	18,988
Retirement and disability benefits	2,960	3,116
Liabilities due to employee benefits – short-term	**117,117**	**113,074**
Retirement and disability benefits	20,161	15,217
Liabilities due to employee benefits – long-term	**20,161**	**15,217**

The Group pays retiring employees the amount of retirement and disability severance payments in the amount specified by the Collective Bargaining Agreement. Therefore, based on the valuation made by a professional actuarial company, the Group creates a provision for the current value of the liability for retirement benefits, jubilee awards and other post-employment benefits.

26.1. The main assumptions adopted by the actuary

	Status as at 31 December 2023	Status as at 31 December 2022
Discount rate %	4.98%	6.87%
Expected wage growth rate %	4.5%	4.5%

The costs of benefits recognised in profit or loss and actuarial gains and losses regarding retirement and disability benefits are presented in the table below:

	Year ended on 31 December 2023	Year ended on 31 December 2022
Cost of benefits:		
Current employment costs	1,146	1,916
Past service cost and profit / (loss) on settlement	(394)	(582)
Net interest expense	1,142	720
Components of defined benefit plan costs recognised in profit or loss	**1,894**	**2,054**
Revaluation of net liabilities due to defined benefits:		
Actuarial gains and losses resulting from changes in demographic assumptions	156	(866)
Actuarial gains and losses resulting from changes in financial assumptions	2,478	(4,948)
Other	2,113	1,668
Components of benefit plan costs recognised in other comprehensive income	**4,747**	**(4,146)**
Total	**6,641**	**(2,092)**

(in thousands of PLN)

The amount of the pension provision and a reconciliation showing changes in the balance during the financial period are shown below.

	Status as at 31 December 2023	Status as at 31 December 2022
Liabilities due to defined benefits as at the beginning of the period	**18,333**	**21,579**
The cost of current benefits	1,140	1,932
Interest expense	1,142	720
(Profits) / revaluation losses:	**3,099**	**(5,662)**
Actuarial gains and losses resulting from changes in demographic assumptions	260	(933)
Actuarial gains and losses resulting from changes in financial assumptions	2,839	(4,729)
Past employment cost, including (losses) / gains on restrictions	–	(27)
Benefits paid	(2,618)	(2,114)
Other	2,025	1,905
Liabilities due to defined benefits as at the end of the period	**23,121**	**18,333**

26.2. Sensitivity analysis

In accordance with IAS 19 the table below presents the sensitivity (-/+ 0.5 p. p) of liabilities to changes in the discount rate and the assumptions about the growth of salaries. The methods and assumptions used in conducting the sensitivity analysis have not changed compared to the previous reporting period.

	Liabilities due to retirement and disability benefits as at 31 December 2023	Liabilities due to retirement and disability benefits as at 31 December 2022
Change of assumption		
Discount rate – decrease by 0.5 p.p.	24,278	19,250
Discount rate – increase by 0.5 p.p.	21,966	17,416
Wages increase rate – decrease by 1 p.p	21,966	17,416
Wages increase rate – increase by 1 p.p	24,278	19,250

27. Trade and other liabilities

	Status as at 31 December 2023	Status as at 31 December 2022
Trade liabilities	**445,905**	**609,064**
Liabilities towards associated entities	9,017	4,104
Liabilities towards other entities	436,888	604,960
Accruals	**181,460**	**217,437**
Total trade liabilities	**627,365**	**826,501**
Tax, customs, social insurance and other liabilities		
VAT	25,567	16,612
Withholding tax paid at source	1	4
Personal income tax	6,382	4,400
PFRON (State Fund for Rehabilitation of Disabled People)	428	434
Social insurance liabilities	–	617
Other	236	217
Liabilities due to the purchase of fixed assets	4,054	1,153
Other	686	317
Total other liabilities	**37,354**	**23,754**

Accruals cover mainly the value of construction contract costs incurred, not settled in the invoiced costs.

(in thousands of PLN)

Terms and conditions of payment of the above financial obligations:

Transactions with related entities are concluded on an arm's length basis (typical commercial transactions). Liabilities due to deliveries and services do not bear interest and are usually settled within 30 to 180 days.

Other liabilities with an average payment period of 1 month do not bear interest.

The amount resulting from the difference between the liabilities and receivables from the tax on goods and services is paid to the competent tax authorities in the periods resulting from tax regulations.

Interest payable is usually accounted for on the basis of accepted interest notes.

28. Contingent liabilities

	Status as at 31 December 2023	Status as at 31 December 2022
Contingent liabilities	**1,611,130**	**1,188,434**
- granted guarantees and sureties	1,503,939	1,077,351
- promissory notes	27,769	31,819
- litigations	79,422	79,264

29. Information about transactions with related parties

Transactions with related entities are concluded on an arm's length basis (typical commercial transactions). The Group does not apply collaterals to receivables from related parties. The table below presents the total values of the transactions concluded with related parties for the period of a year ended on 31 December 2023 and as at that day and on 31 December 2022 and as at that day.

		For the period of 12 months		Status as at the end of the reporting period	
Group of entities		Income from related parties	Acquisitions from related parties	Receivables from related parties	Liabilities towards related parties
Other parties related through shareholders	2023	1,372,534	72,604	170,239	308,211
Unconsolidated subsidiaries	2023	42	1	342	19
Total		**1,372,576**	**72,605**	**170,581**	**308,230**
Other parties related through shareholders	2022	1,564,947	56,669	60,090	131,527
Unconsolidated subsidiaries	2022	71	81	220	994
Total		**1,565,018**	**56,750**	**60,310**	**132,521**

30. Transactions with parties related with the State Treasury

Polimex Mostostal Capital Group is a party in the transactions with entities related with the State Treasury. These transactions, which are also conducted with shareholders and parties related through shareholders, are presented in note 30 as transactions with parties related through shareholders. Transactions conducted with other parties related with the State Treasury are transactions concluded under market terms – these transactions are considered to be insignificant.

31. Remuneration of the Management Board and the Supervisory Board of the Parent Company

	Year ended on 31 December 2023	Year ended on 31 December 2022
Management Board		
Short-term employee benefits (salaries and charges)	3,507	3,242

(in thousands of PLN)

Supervisory Board		
Short-term employee benefits (salaries and charges)	1,092	997
Total	**4,599**	**4,239**

The Company is not aware of any members of the Management Board or Supervisory Board who, as at 31 December 2023 or at the date of publication of this report, hold or have held any transactions in its shares.

32. Goals and principles of risk management

32.1. Interest rate risk

The Group's financial results may fluctuate due to changes in market factors, in particular, prices of materials, exchange rates and interest rates. By managing the risk to which it is exposed, the Company aims to reduce the volatility of future cash flows and minimise potential economic losses arising from the occurrence of events that may adversely affect profit or loss.

The Group holds cash on bank accounts, it has liabilities under bank loans and debt in the form of liabilities under the issued bonds. The above liabilities are based on a variable interest rate. In the course of day-to-day operations, the Company invests periodic financial surpluses in secure bank instruments (term deposits) with a maturity horizon of no more than three months. The Company monitors the situation on the financial market and analyses trends and forecasts in terms of the development of the reference market rates. As at 31 December 2023 the Group did not conclude derivative transactions securing the above-mentioned risk.

Analysis of sensitivity to interest rate changes

	Value exposed to risk	Increase/decrease by 0.50%	-0.50%
For the year ended 31 December 2023			
Cash on bank accounts	493,560	2,468	(2,468)
Bank loans	(48,829)	(244)	244
Bonds	(103,260)	(516)	516
Other financial assets	3,973	20	(20)
Impact on the gross financial result		**1,728**	**(1,728)**
Deferred tax		(328)	328
Total		**1,400**	**(1,400)**

	Value exposed to risk	Increase/decrease by 0.50%	-0.50%
Status as at 31 December 2022			
Cash on bank accounts	950,544	4,753	(4,753)
Bank loans	(59,893)	(299)	299
Bonds	(111,867)	(559)	559
Other financial assets	1,781	9	(9)
Impact on the gross financial result		**3,904**	**(3,904)**
Deferred tax		(742)	742
Total		**3,162**	**(3,162)**

32.2. Foreign exchange risk

The financial flows of companies within Polimex Mostostal Capital Group are characterised by a significant sensitivity to fluctuations in exchange rates, which results from obtaining revenues in foreign currencies, mainly in EUR.

The preferred method of hedging against the exchange rate risk used by the Capital Group companies remains the natural hedging, that is hedging the currency risk by entering into transactions generating costs in the same currency as the currency of revenues.

Fluctuations in the average euro exchange rate have a significant impact on the amount of revenue expressed in PLN from contracts concluded in foreign currency.

On the basis of the signed and prospective contracts the Capital Group estimated the exposure to the currency risk in the period January – December 2024 as follows:

Specification	Q1-Q4 2024
Forecast inflows in foreign currency – equivalent in thousands of EUR	150,779
Forecast expenses in foreign currency – equivalent in thousands of EUR	87,526
Business exposure to foreign exchange risk in thousands of EUR	**63,253**

Current influence of this market parameter's fluctuations shall refer to this part of foreign exchange turnovers of the Companies (net revenues) which shall not be included in the hedging transactions.

Exposure to foreign exchange risk

	31 December 2023 *EUR*	31 December 2022 *EUR*
Cash	9,115	3,757
Trade receivables	48,237	28,022
Secured bank loans, leasing liabilities	–	–
Trade liabilities	16,618	38,571
Gross carrying amount	**40,734**	**(6,792)**
Estimated forecast of sales	147,034	150,779
Estimated forecast of purchase	82,809	87,526
Gross exposure	**64,225**	**63,253**
Net exposure	**104,959**	**56,461**

** the data in the above table is presented in the amounts of the respective currencies*

Foreign exchange risk sensitivity analysis as at 31 December 2023

	Carrying amount	*EUR/PLN*	
		Exchange rate (change 10 %)	*Exchange rate (change -10 %)*
Cash	2,096	210	(210)
Trade receivables	11,094	1,109	(1,109)
Trade liabilities	3,822	(382)	382
Impact on the gross financial result	**9,368**	**937**	**(937)**
Deferred tax		(178)	178
Impact on the net financial result		**759**	**(759)**

The above analysis includes a sensitivity analysis with respect to EUR exchange rate fluctuations. Fluctuations of other currencies – due to low exposure – are not a significant risk factor.

(in thousands of PLN)

Foreign exchange risk sensitivity analysis as at 31 December 2022

	Carrying amount	*EUR/PLN*	
		Exchange rate (change 10 %)	*Exchange rate (change -10 %)*
Cash	854	85	(85)
Trade receivables	6,366	637	(637)
Trade liabilities	8,763	(876)	876
Impact on the gross financial result	**(1,543)**	**(154)**	**154**
Deferred tax		29	(29)
Impact on the net financial result		**(125)**	**125**

The above analysis includes a sensitivity analysis with respect to EUR exchange rate fluctuations. Fluctuations of other currencies – due to low exposure – are not a significant risk factor.

32.3. Credit risk

Credit risk is minimised by cooperation with reliable commercial partners, the application of instruments available on the market that enable the insurance of trade receivables from foreign recipients and the acquisition of collateral for payments from the contractors. In relation to domestic recipients that do not meet internal credit and financial reliability criteria, collateral in the form of sureties, agreement on the transfer of ownership, registered pledge or bill of exchange is applied when the recipients have restrictions on the availability of bank or insurance guarantees.

The Group has a concentration of credit risk in connection with significant receivables from the power sector companies. Considering the fact that the main recipients are domestic energy companies who are controlled by the State Treasury and perform a critical function in the national energy system, the Group estimates that it is not significantly exposed to credit risk against those recipients.

Credit risk management of financial transaction partners consists in controlling the financial credibility of current and potential partners of these transactions and in monitoring credit exposure in relation to the limits granted. Transaction partners should have an appropriate rating assigned by leading rating agencies or have guarantees from institutions that meet the minimum rating requirement. The Group concludes financial transactions with reputable companies with good creditworthiness and uses diversification of institutions with which it cooperates. In the area of credit risk management of business transaction partners, the Group submits all clients who apply for granting credit limits to the procedures of verification of their financial credibility and, depending on its assessment, appropriate internal limits are granted. The Group sets guidelines regarding the credit risk management process of business partners in order to maintain appropriate standards in the area of credit analysis and operational safety of the process across the entire Group. The measure of credit risk is the amount of maximum exposure to risk for specific classes of financial assets. The book values of financial assets represent the maximum credit exposure, in particular, trade receivables and transferred deposits. In the opinion of the Management Board of the Parent Company, the risk of financial assets at risk is reflected by making the revaluation write-offs. The calculation of the write-offs is presented in note 16.

The credit risk related to liquid funds is limited because the Group's counter parties are banks with a high credit rating assigned by international rating agencies.

32.4. Liquidity risk

In the Group's assessment, this risk is at a low level. The maintenance of financial liquidity in the medium and long-term perspective requires involvement in projects and contracts ensuring neutral and positive cash flows. These long-term and short-term liquidity risks are constantly monitored and analysed.

The current financial situation of the Issuer's Group is stable – the Group has significant cash resources and significant guarantee limits in both banking and insurance institutions. The structure, level and deadlines for the repayment of financial debts are adjusted to the current and anticipated ability to service them in a timely manner. The Group conducts a wide range of activities aimed at further improvement of operating conditions, including inter alia:

(in thousands of PLN)

- further optimisation of operating activities to streamline processes related to the implementation, management and monitoring of construction and assembly projects and to reduce operating costs through the projected, the reduction of general administration expenses, centralisation of purchases, optimisation of organisational structures, optimisation of the contract portfolio and concentration of the Group's operations on the core business;
- continuation of the process of divesting assets, in particular property that belongs to the Group and other assets that are not indispensable to continue the Group's core business,
- acquiring new sources of debt financing and optimising terms and maturity structure of the Group's existing on- and off-balance sheet financing.

The Group's current order portfolio less sales attributable to consortium members amounts to PLN 9.03 billion and includes contracts concluded or projects offered for which our bid was selected. The current order portfolio by segment is as follows: PLN 3.36 million for the Power Sector, PLN 4.11 billion for the Oil, Gas, Chemicals segment, PLN 0.57 billion for the Production segment, PLN 0.3 billion for the Infrastructure Construction segment and PLN 0.69 billion for the Industrial Construction segment.

The table below presents the Group's financial liabilities as at 31 December 2023 and as at 31 December 2022 by maturity based on contractual undiscounted payments.

Liquidity risk as at 31 December 2023

	Upon request	*Less than 3 months*	*Between 3 and 12 months*	*From 1 to 5 years*	*Over 5 years*	*Total*
Bank loans, borrowings and other external sources of financing	12	5,852	29,678	55,778	56,736	148,056
Bonds	–	3,516	49,315	55,163	–	107,994
Trade liabilities, deposits due to the construction contracts and other liabilities	80,499	565,506	66,619	46,464	6,323	765,411
	80,511	**574,874**	**145,612**	**157,405**	**63,059**	**1,021,461**

The company is analysing the possibility of optimising the conditions and terms of repayment of liabilities arising from individual financial instruments, which is to result in a change in the structure of balance-sheet and off-balance sheet financing.

Liquidity risk as at 31 December 2022

	Upon request	*Less than 3 months*	*Between 3 and 12 months*	*From 1 to 5 years*	*Over 5 years*	*Total*
Bank loans, borrowings and other external sources of financing	–	8,318	34,663	66,625	50,709	160,315
Bonds	–	4,227	10,000	102,000	–	116,227
Trade liabilities, deposits due to the construction contracts and other liabilities	102,130	921,599	178,813	43,024	7,527	1,253,093
	102,130	**934,144**	**223,476**	**211,649**	**58,236**	**1,529,635**

32.5. Climate risk

The Group recognises the importance of issues relating to climate impacts on operations and the climate impacts of Group entities. Due to the locations of our operations and projects in temperate areas, the physical risks to our operational activities are limited. Based on the analysis, no significant risks arising from climate change have been identified that could result in significant changes to the Group's operations, revenues or costs that would require reflection on the values presented in the consolidated financial statements presented at 31 December 2023. A broader description of the extent of the impact of climate change on the operations of Group companies is presented in the Polimex Mostostal Group Report on Non-Financial Information for the 2023 financial year, with particular emphasis on Chapter 6. Risk management and 12. Environmental category.

(in thousands of PLN)

33. Financial instruments

33.1. Classification of financial instruments

	Status as at 31 December 2023	Status as at 31 December 2022
	Financial assets measured at amortised cost	
Financial assets		
Other financial assets	3,973	1,780
- long-term	3,348	1,689
- short-term	625	91
Trade receivables	500,616	399,293
Deposits due to the construction contracts	96,448	88,396
Cash and cash equivalents	493,560	950,544
	Financial liabilities measured at amortised cost	
Financial liabilities		
Bonds	103,260	111,867
Bank loans and borrowings including:		
- long-term bearing variable interest rate	26,000	20,893
- short-term bearing variable interest rate	22,829	39,000
- short-term bearing fixed interest rate	–	–
Lease liabilities	64,289	63,582
- long-term	49,755	50,915
- short-term	14,534	12,667
Trade liabilities	445,905	609,064
Deposits due to the construction contracts	91,685	78,817

33.2. Revenues , expenses, profits and losses recognised in the profit and loss divided into financial instruments' categories

Year ended on 31 December 2023

	Interest income / (expenses)	Profits / (losses) due to exchange differences	Release / (recognition) of impairment write-offs	Other	**Total**
Financial assets					
Financial assets at amortised cost through profit or loss	16,350	–	1,771	–	**18,121**
Financial liabilities					
Financial liabilities measured at amortised cost	(22,033)	(2,628)	–	(85)	**(24,746)**
Total	**(5,683)**	**(2,628)**	**1,771**	**(85)**	**(6,625)**

(in thousands of PLN)

Year ended on 31 December 2022

	Interest income / (expenses)	Profits / (losses) due to exchange differences	Release / (recognition) of impairment write-offs	Other	**Total**
Financial assets					
Financial assets at amortised cost through profit or loss	15,527	3,607	(7,079)	1,602	**13,657**
Financial liabilities					
Financial liabilities measured at amortised cost	(20,411)	–	–	(625)	**(21,036)**
Total	**(4,884)**	**3,607**	**(7,079)**	**977**	**(7,379)**

34. Fair values of individual categories of financial instruments

For the purposes of financial reporting, fair value measurements are categorised according to three levels depending on the extent to which batch data for fair value measurements are observable and on the importance of batch data for fair value measurement as a whole. These levels take shape as follows:

Level 1: batch data is quoted prices (unadjusted) from active markets for identical assets or liabilities to which the entity has access on the valuation day.

Level 2: batch data is other than quoted prices included in Level 1 that are observable for an asset or liability element, either directly or indirectly.

Level 3: Batch data is unobservable data for the valuation of an asset or liability.

The fair values of financial assets and liabilities not measured at fair value do not differ materially from book values.

35. Capital management

The main goal of the management of the Group's capital is to maintain good credit rating and safe equity ratios, which would support the Group's operating activities and increased the values for its shareholders.

The externally imposed capital requirements for the value of the equity have been imposed on the Parent Company.

As at 31 December 2022 and 31 December 2023 the Parent Company had positive equity capital.

The Group monitors capital using a leverage ratio, which is calculated as the ratio of net debt to total capital plus net debt. The Group includes interest bank credits and loans, liabilities due to supplies and services, and other liabilities, decreased by the cash and cash equivalents in the net debt.

	Status as at 31 December 2023	**Status as at 31 December 2022**
Bank loans, borrowings and bonds	152,089	171,760
Trade and other liabilities	664,719	850,255
Minus cash and cash equivalents	493,560	950,544
Net debt	323,248	71,471
Equity	933,529	1,037,570
Equity and net debt	**1,256,777**	**1,109,041**
Leverage ratio (net debt / capital and net debt)	26%	6%

36. Employment structure

Average employment in the Group as at 31 December 2023 and as at 31 December 2022 was as follows (after rounding to whole numbers):

(in thousands of PLN)

	Year ended on 31 December 2023	Year ended on 31 December 2022
Management Board of the Parent Company	2	2
Management Boards of the entities within the Group	18	21
Support division	926	921
Operations division	3,679	3,794
Total	**4,625**	**4,738**

37. Litigations regarding receivables and liabilities

As at 31 December 2023 there was an ongoing counterclaim proceeding initiated by Mostostal S.A. with the registered office in Warsaw (the "Defendant"). The counterclaim was directed against the Company and Mostostal Siedlce spółka z ograniczoną odpowiedzialnością sp.k. The counterclaim was the position of the Defendant in the case filed by the Company and by Mostostal Siedlce Sp. z o.o. Sp.k. in June 2017 for the cancellation of the sales agreement pertaining to two Mostostal trademarks: the figurative trademark “Mostostal” registered under number R 87887 and the verbal trademark “Mostostal” registered under number R 97850. The sales agreement for the trademarks was concluded in 2007 by the administrative receiver of one of the entities using the trademarks. The Defendant was the purchaser in this transaction. The value of the subject matter under dispute is PLN 96,908,719. The amount indicated by the Defendant constitutes the compensation for the violation of the protective rights with regards to the specified trademarks. The Defendant is claiming compensation of PLN 83,717,995 from the Company and PLN 13,190,724 from Mostostal Siedlce Sp. z o.o. Sp.k. The position of the Management Board of the Company is that the counterclaim and the value of the compensation have no legal merit and the counterclaim was filed merely in a reaction to the lawsuit initiated by the Company in June 2017. As indicated by the analysis undertaken by the Company, the Company has subjective rights to Mostostal, as well as the prior user right to the trade name “Mostostal”, which take precedence over the above-mentioned Mostostal trademarks under dispute.

On 30 October 2023, the Company and Polimex Energetyka Sp. z o.o. (in execution of the order of the District Court in Wrocław of 20 September 2023, case ref. No. X GCo 857/23 on securing the claim – the court found that the claim is plausible and that the applicants have demonstrated a legal interest in securing the claim – which decision was appealed by Zespół Elektrociepłowni Wrocławskich Kogeneracja S.A. with a complaint, and the case is pending before the Court of Appeal) filed a lawsuit against Zespół Elektrociepłowni Wrocławskich Kogeneracja S.A. in Wrocław for modification of the legal relationship and amendment of Agreement No. 3310088286 of 23 June 2021 for the execution of the investment titled: “Turnkey construction of a gas and steam CHP for Zespół Elektrociepłowni Wrocławskich Kogeneracja S.A. in Siechnice” (“Contract”) by determining the amount of the remuneration of the Company and Polimex Energetyka Sp. z o.o. as Contractor for the performance of the Contract by increasing it from the amount of PLN 1,159,180,000 net by the amount of PLN 343,930,862.80 net, i.e. to the total amount of PLN 1,503,110,862.80 net, and consequently, to award the total amount of PLN 343,930,862.80 net from Kogeneracja to the Consortium. In the opinion of the Company's Management Board, the lawsuit is justified.

Apart from the above case, there were no legal proceedings of material value to the financial statements as at 31 December 2023.

38. Key events after the balance sheet date

- On December 8, 2023, the Company forming part of a consortium (Polimex Mostostal, Mitsubishi Power Europe GmbH [leader], Mitsubishi Power Ltd. and Mitsubishi Power Europe Ltd.) received a debit note from PGNiG Termika, calling for payment of PLN 244.4 million in contractual penalties under the provisions of the contract for the supply and installation of a gas and steam power unit in the Żerań CHP Plant in Warsaw. According to the Company, the sole reason for the aforementioned contractual penalties is the failure of the steam turbine, a component that is part of the scope for which the other consortium members, excluding the Company, are responsible under the contract. Consequently, as part of consortium settlements in 2024, the effects of the implementation of the warranty by the Ordering Party were settled.

- On 09 January 2024, the following were issued on behalf of the Company:

  - an annex to the performance bond for PLN 59,650 thousand issued pursuant to the agreement of 31 December 2019, as amended, between the Company and Bank Ochrony Środowiska S.A., with its registered office in Warsaw, for the purpose of securing the performance of the contract concluded with Grupa Azoty Zakłady Azotowe "Puławy" S.A. for the construction of a complete coal-fuelled combined heat and power unit in Puławy (“Puławy Contract”),

  - an annex to the performance bond for PLN 46,340 thousand issued to secure the performance of the Puławy Contract, pursuant to the agreement of 31 May 2017, as amended, concluded between the Company, Naftoremont – Naftobudowa Sp. z o.o., Polimex Energetyka Sp. z o.o., Polimex Budownictwo Spółka z ograniczoną odpowiedzialnością sp.k. as obligors, and Bank Gospodarstwa Krajowego;

  extending the terms of the above bank guarantees until 30 April 2024.

- On January 18, 2024, an agreement (“Agreement”) was concluded between Baltica Wind Power Plant – 2 sp. z o.o., based in Warsaw (“Ordering Party”) and a consortium (“Contractor”, “Consortium”) consisting of: Company (as a member of the Consortium) and GE Power sp. z o.o. with its registered office in Warsaw (as Consortium leader). The subject of the Agreement is the construction of an onshore connection (line and substation part) together with cabling for the Offshore Wind Farm Baltica-2 (“Task”). The Contractor has agreed to execute the Agreement by 1 February 2028. The remuneration for the Task is a lump sum, with the possibility of valorisation in certain cases, and amounts to EUR 514.2 million net (“Remuneration”), of which the Company is entitled to EUR 184.8 million net. Payment of the Remuneration will be made in parts on the basis of invoices issued after acceptance of the various stages of the Task. The Agreement provides for the possibility of paying the Contractor, subject to certain conditions, two advance payments totalling up to 10% of the Remuneration each. Under the provisions of the Agreement, the Contractor shall provide the Ordering Party with a quality guarantee on the subject of the Agreement covering a period of 60 months. In order to cover potential claims of the Ordering Party on account of proper performance of the Agreement and the Contractor's obligations under the guarantee, the Contractor shall provide security in the total amount of up to 10% of the Remuneration in the form of a bank or insurance guarantee. The Agreement provides for contractual penalties for, among other things, delays or withdrawal from the Agreement by the Ordering Party for reasons attributable to the Contractor. The Agreement provides for the limitation of contractual penalties, the total amount of contractual penalties imposed on the Contractor under all titles provided for in the Agreement may not exceed 10% of the Remuneration, and in the case of gross negligence of the Contractor – 20% of the Remuneration. Neither party to the Contract will be liable for lost profits or revenues, loss of the possibility of using equipment or systems, business interruption, replacement energy cost, capital cost, downtime costs, increased operating costs or any consequential or indirect damages. The maximum aggregate liability of the parties for the performance or improper performance of the Contract and for any other legal grounds relating to the Contract has been limited, with certain exclusions, to 100% of the Remuneration. The Agreement provides for the possibility of withdrawal in certain cases, including when the Contractor fails to commence work on time without justifiable cause, the Contractor's failure to submit security on time, and reaching the limit of contractual penalties for delay.

- On 9 February 2024, the Company signed with InterRisk Towarzystwo Ubezpieczeń Spółka Akcyjna Vienna Insurance Group an annex to the General Agreement for the provision of contractual insurance guarantees, concluded on 24 June 2020, under which the amount of the guarantee limit to which the Company is entitled under the Agreement is set at PLN 100 million (“Limit”). The limit is renewable and remains available until 31 December 2024. The remuneration to which InterRisk is entitled for the guarantees issued has been set on market terms for this type of transaction. The blank promissory notes issued by the Company, together with the promissory note declarations, and, depending on the type of guarantee, an assignment of the Company's monetary claims under the contracts being performed or a cash deposit in an amount not exceeding 10% of the value of a given guarantee constitute a security for the repayment of any claims of InterRisk. In cases specified in the Agreement, InterRisk may require establishment of additional security. InterRisk may withhold issuance of guarantees under the Agreement in the event of the Company's improper performance of its obligations under the Agreement, in particular i) failure to submit the securities required under the Agreement, ii) failure by the Company to satisfy the InterRisk's matured receivables under the Agreement, iii) breach of other obligations of the Company under the Agreement. Either Party may terminate the Agreement with three months' notice. The Agreement is concluded for a period until all claims of InterRisk against the Issuer arising from the Agreement have expired.

- On 15 February 2024, the Company entered into an annex to the Agreement, concluded on 8 July 2020, with Sopockie Towarzystwo Ubezpieczeń ERGO Hestia S.A. for cooperation in the provision of insurance guarantees within the allocated guarantee limit. Under the annex, the total guarantee amount for guarantees issued under the Agreement was increased from PLN 208.5 million to PLN 253.5 million and this limit is valid until 31 December 2024. In addition, the annex optimises the pricing conditions of the guarantee. Other provisions remain unchanged.

- On 21 September 2023, an agreement was concluded between Orlen Południe S.A., based in Trzebinia, and a consortium comprising of the Company as the leader of the consortium and AB Industry S.A., based in Macierzysz, as a partner of the consortium. The subject of this agreement is the design, supply and turnkey construction, start-up and commissioning of an oil extraction plant with a capacity of 200,000 tonnes of oil per year, as well as a rapeseed, oil and meal storage facility, together with associated facilities and the necessary rail and road infrastructure in Kętrzyn. In connection with this agreement, on 8 March 2024, the Company entered into an agreement with Polimex Budownictwo Sp. z o.o. Sp.k. ("PxB"), the subject of which is construction works for the project to build an extraction plant in Kętrzyn. The value of PxB's remuneration under this Agreement is a cost estimate and amounts to PLN 201,258,439.88 net, and the final completion date of the Agreement was set for 21 June 2026.

- On 3 April 2024, an agreement was concluded between Podlaskie Voivodeship represented by Podlaski Zarząd Dróg Wojewódzkich in Białystok ("Ordering Party") and a consortium ("Contractor") consisting of: the Company and Polimex Infrastruktura sp. z o.o. The subject of the Agreement is the construction of a Ciechanowiec bypass as a part of regional road No. 690 ("Task"). The completion date for the subject matter of the Agreement is June 3, 2026. The Contractor's remuneration for the execution of the Agreement is a lump sum, amounting to PLN 105,148,604.64 ("Remuneration") plus applicable VAT and will be payable in parts within the specific settlement periods provided for in the Agreement. In order to secure the Ordering Party's potential claims, the Contractor shall provide the Ordering Party with a performance bond ("Security") amounting to 5% of the gross Remuneration. 70% of the Security shall be released within 30 days following acceptance of the subject of the Agreement, and the remaining part within 15 days following expiry of the period of warranty and guarantee for defects. Pursuant to the provisions of the Agreement, the Contractor will provide the Ordering Party with a guarantee for the subject of the Agreement for a period of 84 months, calculated from the date of acceptance of the subject of the Agreement. The Agreement provides for contractual penalties, inter alia, for delay in completing the works, as well as for withdrawal from the Agreement by the Ordering Party in the amount of 10% of the gross Remuneration. The Agreement provides for a limitation of contractual penalties imposed on the Contractor to 20% of the gross Remuneration, with the possibility for the Ordering Party to seek additional compensation up to the amount of the damage suffered by it.

Warsaw, 26 April 2024

SIGNATURES OF ALL MANAGEMENT BOARD MEMBERS		
Name and surname	Position / Function	Signature
Krzysztof Figat	President of the Management Board	
Maciej Korniluk	Vice President of the Management Board	

SIGNATURE OF THE PERSON RESPONSIBLE FOR THE PREPARATION OF FINANCIAL STATEMENTS		
Name and surname	Position / Function	Signature
Sławomir Czech	Financial Director / Chief Accountant	