POLIMEX MOSTOSTAL S.A.

FINANCIAL STATEMENTS FOR THE YEAR CLOSED ON 31 December 2023 WITH THE OPINION BY A STATUTORY AUDITOR

TABLE OF CONTENTS

(in thousands of PLN)

Profit and loss account

	Note	Year ended on 31 December 2023	Year ended on 31 December 2022
Sales revenues	7.1	932,562	1,468,398
Cost of goods sold	7.4	(1,104,870)	(1,345,092)
Gross profit / (loss) on sales		**(172,308)**	**123,306**
General administration expenses	7.4, 7.5	(32,824)	(31,999)
Profit / (loss) on impairment of financial assets	7.7	1,310	(956)
Other operating revenues	7.8	14,025	4,017
Other operating costs	7.9	(1,121)	(1,725)
Profit / (loss) on operating activities		**(190,918)**	**92,643**
Financial income	7.10	86,854	65,070
Financial costs	7.11	(15,979)	(16,071)
Impairment on investments in subsidiaries		–	(105,817)
Gross profit / (loss)		**(120,043)**	**35,825**
Income tax	8.1	35,925	(17,463)
Net profit / (loss)		**(84,118)**	**18,362**
Profit / loss per share (in PLN per share)			
- basic profit per share	10	(0.349)	0.077
- diluted profit per share	10	(0.268)	0.102

Comprehensive income statement

	Year ended on 31 December 2023	Year ended on 31 December 2022
Net profit / (loss)	**(84,118)**	**18,362**
Items that will not be allocated in the later periods to the profit and loss account:		
Change from the valuation of tangible fixed assets	1,112	–
Actuarial profit / (loss)	(172)	162
Other net comprehensive income	**940**	**162**
Total comprehensive income	**(83,178)**	**18,524**

(in thousands of PLN)

Balance sheet

	Note	Status as at 31 December 2023	Status as at 31 December 2022
Assets			
Fixed assets			
Tangible fixed assets	11.1	57,734	57,625
Investment property	11.3	39,661	65,982
Intangible assets		743	434
Financial assets	12.1	495,521	421,491
Long-term receivables		–	222
Deposits due to the construction contracts		23,991	21,123
Deferred tax assets	8.3	111,161	75,419
Other long-term assets		3,671	4,472
Total fixed assets		**732,482**	**646,768**
Current assets			
Inventories		10,240	–
Trade receivables	13	274,711	124,324
Deposits due to the construction contracts		29,780	23,036
Construction contracts assets	15	123,745	103,704
Other receivables	13	45,821	127,061
Financial assets	12.2	6,457	6,723
Other assets		6,571	5,599
Cash	16	186,140	799,577
Total current assets		**683,465**	**1,190,024**
Assets held for sale	18	**39,912**	**503**
Total assets		**1,455,859**	**1,837,295**

(in thousands of PLN)

Balance sheet (continued)

	Note	Status as at 31 December 2023	Status as at 31 December 2022
Liabilities and equity			
Equity			
Share capital	19.1	484,738	479,738
Reserve capital	19.2	319,549	300,830
Unregistered share issue		1,000	1,000
Reserve capital from surplus of bonds convertible into shares	19.3	5,175	5,532
Accumulated other comprehensive income	19.4	30,099	29,159
Retained earnings / Uncovered losses	19.5	(84,118)	18,362
Total equity		**756,443**	**834,621**
Long-term liabilities			
Bank loans, borrowings and other external sources of financing	20	29,439	32,951
Long-term bonds	21	50,343	98,011
Provisions	23	22,250	21,115
Employee benefit liabilities	24	1,062	682
Deposits due to the construction contracts		13,881	13,886
Other liabilities		–	3
Total long-term liabilities		**116,975**	**166,648**
Short-term liabilities			
Bank loans, borrowings and other external sources of financing	20	22,810	21,397
Short-term bonds	21	52,917	13,856
Trade liabilities	25	291,842	498,900
Deposits due to the construction contracts		20,180	16,520
Construction contracts liabilities	15	137,730	250,494
Other liabilities	25	2,965	1,383
Income tax liabilities		7	7
Provisions	23	32,091	8,688
Employee benefit liabilities	24	21,761	24,643
Deferred income		138	138
Total short-term liabilities		**582,441**	**836,026**
Total liabilities		**699,416**	**1,002,674**
Total liabilities and equity		**1,455,859**	**1,837,295**

(in thousands of PLN)

Cash flow statement

	Note	Year ended on 31 December 2023	Year ended on 31 December 2022
Cash flows from operating activities			
Gross profit / (loss)		**(120,043)**	**35,825**
Adjustment items:		**(502,823)**	**72,569**
Depreciation	7.4	14,711	12,016
Net interest and dividends		(45,953)	4,136
Profit / (loss) on investing activities		(13,218)	(2,348)
Change in receivables	17	(155,801)	(48,694)
Change in inventories		(10,240)	–
Change in liabilities, excluding bank loans and borrowings	17	(316,594)	36,993
Change in other assets and deferred income		(171)	1,847
Change in provisions		24,538	11,866
Income tax		(35)	(42)
Other	17	(60)	56,795
Net cash from operating activities		**(622,866)**	**108,394**
Cash flows from investing activities			
Disposal of tangible fixed assets and intangible assets		180	12,770
Acquisition of tangible fixed assets and intangible assets		(4,701)	(2,792)
Purchase of financial assets		(92)	(472)
Received dividends, interest and shares in profits		60,721	17,150
Repayment of borrowings		66,710	11,025
Granting borrowings		(85,034)	(23,009)
Net cash from investing activities		**37,784**	**14,672**
Cash flows from financing activities			
Lease payments		(12,310)	(9,998)
Interests paid		(11,045)	(7,106)
Repayment of borrowings and bank loans		–	(6,145)
Redemption of bonds		(5,000)	(3,700)
Net cash from financing activities		**(28,355)**	**(26,949)**
Increase / (decrease) in net cash and cash equivalents		(613,437)	96,117
Net foreign exchange differences			
Cash at the beginning of the period	16	**799,577**	**703,460**
Cash at the end of the period	16	**186,140**	**799,577**
- *Including restricted cash*	16	*35,152*	*60,885*

(in thousands of PLN)

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		Retained earnings / Uncovered losses	Total equity
					Revaluation reserve	Actuarial profit / (loss)		
As at 01 January 2023	**479,738**	**300,830**	**1,000**	**5,532**	**28,020**	**1,139**	**18,362**	**834,621**
Net profit / (loss)	–	–	–	–	–	–	(84,118)	(84,118)
Other net comprehensive income	–	–	–	–	1,112	(172)	–	940
Total comprehensive income	**–**	**–**	**–**	**–**	**1,112**	**(172)**	**(84,118)**	**(83,178)**
Distribution of net profit / (loss)	–	18,362	–	–	–	–	(18,362)	–
Conversion of bonds into shares	–	357	5,000	(357)	–	–	–	5,000
Registration of conversion of bonds into shares	5,000	–	(5,000)	–	–	–	–	–
As at 31 December 2023	**484,738**	**319,549**	**1,000**	**5,175**	**29,132**	**967**	**(84,118)**	**756,443**

(in thousands of PLN)

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		Retained earnings / Uncovered losses	Total equity
					Revaluation reserve	Actuarial profit / (loss)		
As at 01 January 2022	**473,238**	**211,474**	**2,500**	**5,892**	**28,020**	**977**	**88,996**	**811,097**
Net profit / (loss)	–	–	–	–	–	–	18,362	18,362
Other net comprehensive income	–	–	–	–	–	162	–	162
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**162**	**18,362**	**18,524**
Distribution of net profit / (loss)	–	88,996	–	–	–	–	(88,996)	–
Conversion of bonds into shares	–	360	5,000	(360)	–	–	–	5,000
Registration of conversion of bonds into shares	6,500	–	(6,500)	–	–	–	–	–
As at 31 December 2022	**479,738**	**300,830**	**1,000**	**5,532**	**28,020**	**1,139**	**18,362**	**834,621**

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2023

1. General information

Polimex Mostostal S.A. ("Company", "Polimex Mostostal S.A.") 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 located in Warsaw on Al. Jana Pawła II 12, 00-124 Warsaw. 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 Company has been established for an indefinite period. The financial year of the Company is the same as the calendar year.

The primary business activity of the Company involves a wide range of construction and assembly services, such as the assembly of industrial devices and installations, provided in the formula of a general contractor, both in Poland and abroad, as well as administrative support for the companies within Polimex Mostostal Capital Group ("Capital Group", "Group"). The Company operates in the following segments: Energy, Oil, Gas, Chemicals (Petrochemicals), Other Activities. A detailed description of business activities within a given segment is provided in note 6. The shares of the Company are listed on the Warsaw Stock Exchange. The Company is the Parent Company within the Capital Group.

2. Approval of the financial statements

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

The Company as the Parent Company of the Capital Group has also prepared the consolidated financial statements for the year ended on 31 December 2023 which were approved for publication on 26 April 2024.

The consolidated financial statements of the Company are under review by a 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 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.

The annual financial statements of the Company have been prepared in accordance with the requirements of EU IFRS. In order to fully understand the Company's financial standing and the results as the Parent Company in the Capital Group, these financial statements should be read jointly with the annual consolidated financial statements for the period ended on 31 December 2023. The consolidated financial statements will be available on the Company's website at www.polimex-mostostal.pl by the date consistent with the current report regarding the date of publication of the consolidated financial statements of the Capital Group for 2023.

3.2. Going concern

These financial statements have been prepared with the assumption that the Company in the foreseeable future will continue as a going concern. As at the day of the approval of these financial statements for publication there were no circumstances which would indicate a threat to the going concern of the Company.

The Management Board of the company Polimex Mostostal S.A. conducted an analysis of the impact of the war in Ukraine on the Company's financial position and financial results for the current period and in the perspective of the coming quarters:

- 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. The Company monitors and analyses the negative impact on its operations and financial performance on an ongoing basis.

- Currently, the armed conflict in Ukraine has a direct impact on the operational 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 Company holds CZKS shares with a value of PLN 9,035 thousand and these are presented under financial assets (Note 12.3.). 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. No adjustments have been made for this in these financial statements.
- 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.
- 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 7.3.) are not included in the gross margin valuation as at 31 December 2023. Detailed information in this respect is presented in Note 7.3.
- The Company’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 Company 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 Company's liquidity risk in the current and future periods.

The Company's Management Board believes that the war in Ukraine does not have a material adverse effect on the Company's financial results and financial position and does not necessitate any adjustments to the financial statements for 2023. The potential impact that the war in Ukraine will have during 2024 will be appropriately reflected in the financial statements for subsequent periods.

3.3. Effect of new and amended standards and interpretations

While preparing these financial statements the Company adopted 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 Company'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 Company as at the balance sheet date.

4. Adopted accounting principles (policy)

4.1. The grounds for preparing the 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 in amounts or at fair values and financial instruments recognised at fair value at the end of each 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 financial statements have been presented in the Polish zloty (‘PLN”) (the currency of the presentation) and all values, unless indicated otherwise, are presented in thousands of PLN (“PLN thousand”).

4.2. Conversion of amounts expressed in foreign currencies

The functional currency of the Company is the Polish zloty.

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 euro exchange rate at 31 December 2023 was: PLN 4.3480, while at 31 December 2022 it was: PLN 4.6899. 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.

4.3. 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, buildings and structures" 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.

4.4. 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 a leasing agreement. If an asset used by the owner-company of less than 20% becomes an investment property, the Company applies the principles described under *Tangible fixed assets* until the date of change of use of the 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.

4.5. 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

4.6. Impairment of non-financial fixed assets

As at each balance sheet date, the Company evaluates whether there are any prerequisites indicating that a loss in value of 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 Company 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 Company 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.

4.7. 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.

4.8. Share in profits of limited partnerships

The Company is a partner (a limited partner) in subsidiaries that are limited partnerships. For each reporting period, the Company recognises financial revenues due to the share in profits of these subsidiaries. Receivables under this title are presented in long-term receivables – if their maturity date exceeds 12 months from the balance sheet date – or in the position of trade receivables and other receivables – if their maturity date does not exceed 12 months.

Financial revenues under the above title are recognised in the value of results obtained by subsidiaries in compliance with the Company's percentage share resulting from the contractual settlements between the shareholders. Financial revenues/costs under this title are recognised in the financial year in which a subsidiary achieves profits/losses regardless of the period during which the division of this result or the coverage of the loss takes place. Receivables are assessed with the application of the depreciated cost method. Shares in profits of limited partnerships are subject to revaluation in terms of impairment on principles applicable for financial assets. The revaluation is presented as financial costs.

4.9. 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 Company 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.

4.10. Trade receivables

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

If the effect of the value of money is material, the value of the receivables 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. If a method involving discounting was applied, then the increase in liabilities due to the passing time is recognised as financial revenues.

4.11. Other receivables

Other receivables include, in particular, receivables from limited partnerships in which the Company is a partner, advances made for future purchases of property, plant and equipment, 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.

4.12. 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 Company. Deposits are retained from sale invoices issued by the Company as the implementation of services progresses or they are provided a singular payment by the Company. 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.

4.13. 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.

4.14. Financial instruments

Financial assets and liabilities are recognised when the Company becomes a party to a binding contract. Upon initial recognition the Company 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 the financial result
- assets measured at fair value through other comprehensive income.

The Company classifies a financial asset based on the Company'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:

- the financial asset is held in accordance with a business model whose purpose is to maintain financial assets for obtaining contractual cash flows, and

- 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 Company 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 the Company is entitled to receive dividends.

The Company 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 Company 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 Company 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 14.

In the case of other financial assets including cash, the Company 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 Company 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 Company 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 income from them have expired or have been transferred and the majority of risks and all benefits of ownership have been transferred.

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

The Company does not use hedge accounting.

4.15. Borrowings and debt securities (bonds)

At the time of the initial recognition, all 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 borrowings and debt securities are measured at amortised cost using the effective interest rate method.

In the event of a change in financing terms, the Company assesses whether the change is material. In the event of material changes, the Company removes from the balance sheet liabilities previously recognised and recognises liabilities according to the materially changed terms. If the change is not material, the adjustment to the amortised cost measurement is made through the financial result, while the existing amortised cost rate remains unchanged. In the case of material changes, any costs incurred relating to the change are recognised in the profit and loss report.

4.16. Lease

The Company 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 Company applies the marginal interest rate of the lessee, which is on average 4.1%.

At the onset of the contract the Company 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 Company recognises an underlying right-of-use asset and a lease liability. At the onset date the Company 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

- any lease payments made on or before the onset date, less all incentives received from the lease, and
- any initial direct costs, and
- 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 Company measures the lease liability through:

- an increase in the carrying amount to reflect interest on the lease liability,
- a decrease in the carrying amount to include the lease payments paid in,
- 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 Company recognises an underlying right-of-use asset and a lease liability:

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

The Company 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 this option). If depreciation is recognised by the end of the duration of use, the Company applies depreciation rates appropriate for the given group of assets, convergent with the rates applicable for 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 Company has decided to include the right-of-use assets as part of the same balance sheet positions they would be presented in if the Company 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 Company 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 7.4, 7.11, 11.1 and 20.

4.17. 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.

4.18. 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 Company in the future. Interim prepayments include mainly:

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

4.19. Shares in subsidiaries

Shares in subsidiaries are valued at cost. Impairment write-offs for shares held in subsidiaries are reversed when there are no premises for the depreciation up to the amount of the estimated recoverable amount not higher than the value which would have been recognised if there had not been any depreciation recognised.

4.20. 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.

4.21. 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.

4.22. 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.

4.23. Deposits received under construction contracts

Deposits under construction contracts result from the amounts received within the construction contracts. The Company retains the deposits from sale invoices issued by the subcontractors as the implementation of services progresses or they 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.

4.24. Employee benefit liabilities

Short-term employee benefits paid by the Company 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 Company 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).

Pursuant to the Collective Bargaining Agreement the employees of the Company are entitled to retirement and disability severance payments. Retirement benefits are paid once at the time of retirement. The amount of benefit depends on the period of employment in the Company and its legal predecessors (provided that the Company generates a net profit 2 years in a row, otherwise the amount of the benefit is a one-month salary). The benefit is affected by the above-mentioned seniority within the Company, as well as the average salary in the Company from December of the previous year. The Company 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 are presented under liabilities due to employee benefits.

Post-employment benefits in the form of defined benefit plans (retirement benefits and severance payments) 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 in 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.

4.25. Provisions

Provisions are created when the Company 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 Company 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 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.

4.26. Reserve capital from surplus of bonds convertible into shares

The Company 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 Company is an issuer of bonds convertible into shares of the Company. As at the date of issuing bonds or at the date of material change of terms of issue, the 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 Company does not change the qualification of the liability and equity component depending on the change of probability of executing the conversion option.

4.27. Revenues from contracts with Customers

The Company 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 Company is able to identify the rights of each party to the contract regarding goods or services to be delivered;

- the Company 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 Company 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 Company 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 Company 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 Company 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 Company 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 Company 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 Company does not meet the obligation to perform the service over time, the obligation to perform the service is fulfilled at a certain time.

The Company 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 Company re-assesses the degree of total fulfilment of the obligation to perform the service performed over time.

The Company 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 Company 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 Company takes into account the terms of the contract. The transaction price is the amount of remuneration which, as expected by the Company, 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 Company 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 Company significant benefits or generates significant financial costs from financing the transfer of goods or services. In such circumstances, the Company 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 Company 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 Company, as one of the parties to the contract, fulfilled the obligation, the Company 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 Company presents all unconditional rights to receive remuneration separately as trade receivables.

The Company 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 Company 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 Company is the principal) or on contracting another entity to provide these goods or services (in this case the Company is an intermediary).

The Company is the principal if it exercises control over the promised goods or services before passing it on to the customer. The Company, 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 Company 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 Company 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 Company acts as an intermediary if its obligation to perform the service entails ensuring the delivery of goods or services by another entity. If the Company acting as the principal 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 Company retains after paying remuneration to another entity in exchange for goods or services provided by that entity.

4.28. 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 liabilities 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 Company offsets 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 opinion of the Company it is probable that the Company's approach to the tax issue or group of tax issues will be accepted by the tax authority, the Company 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 Company 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 Company determines that it is not probable that the tax authority will accept the Company's approach to the tax issue or group of tax issues, then the Company reflects the effects of uncertainty in accounting terms of tax during the period in which this was determined. The Company 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 Company determines the most likely scenario – it is a single amount among the possible outcomes, or
- the Company 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.

<u>Periods of economic use of tangible fixed assets, note 4.3</u>

The Company 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 Company 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 Company applies the revaluation model for the following class of assets: real estate and structures. In case the revaluation needs to be performed, the Company obtains a fair value measurement for particular locations of real estate and objects. 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 11.3.

Impairment of assets

The Company 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.

Asset due to deferred tax, note 8.3

The Company 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 15

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 Company applies the percentage progress method for the settlement of long-term contracts. The application of this method requires of the Company 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 Company 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 24.

Provision for warranty repairs, note 23

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 23

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.

<u>Provision for penalties, note 23</u>

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.

<u>Provision for sureties, note 23</u>

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.

<u>Write-off of receivables and materials</u>

As at each balance sheet date, the Company 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 Company 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 4.14.

At each balance sheet date, the Company 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 Company has been divided into segments based on the manufactured products and the services rendered. Due to the failure to meet the quantitative thresholds set out in IFRS 8, the Company combined information on the following segments: Industrial Construction and Infrastructure Construction with the data presented in the segment Other Activity. There are therefore the following reporting segments:

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.
Other activity	industrial and infrastructure construction, maintenance and transportation services, rental, lease, laboratory tests, equipment service, other services not included in other segments, share in profits/(losses) of limited partnerships in which the Company holds shares.

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 Company 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 Company 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	Power sector	Oil, gas and chemicals	Other activity	Total activity
Revenues				
Sales to external clients	866,541	4,989	61,032	**932,562**
Sales between the segments	–	–	–	**–**
Total segment sales revenues	866,541	4,989	61,032	**932,562**
Results				
Profit / (loss) on operating activities of the segment	(184,822)	402	(6,498)	**(190,918)**
Financial income and costs balance	(977)	1,049	70,803	**70,875**
Gross profit / (loss) from the segment	**(185,799)**	**1,451**	**64,305**	**(120,043)**

Year ended on 31 December 2022	Power sector	Oil, gas and chemicals	Other activity	Total activity
Revenues				
Sales to external clients	1,417,213	127	51,058	**1,468,398**
Sales between the segments	–	–	–	**–**
Total segment sales revenues	1,417,213	127	51,058	**1,468,398**
Results				
Profit / (loss) on operating activities of the segment	111,528	(341)	(18,544)	**92,643**
Financial income and costs balance	742	–	(57,560)	**(56,818)**
Gross profit / (loss) from the segment	112,270	(341)	(76,104)	**35,825**

7. Revenues and costs

7.1. Sales revenues by categories

Revenue by type of goods or services

Year ended on 31 December 2023	Power sector	Oil, gas and chemicals	Other activity	Total activity
Revenues from the sales of construction and other services	866,541	4,942	37,052	**908,535**
Revenues from the sales of goods and materials	–	47	3,855	**3,902**
Revenues from rental	–	–	20,125	**20,125**
Total sales revenues	**866,541**	**4,989**	**61,032**	**932,562**

Year ended on 31 December 2022	Power sector	Oil, gas and chemicals	Other activity	Total activity
Revenues from the sales of construction and other services	1,417,244	104	28,896	**1,446,244**
Revenues from the sales of goods and materials	(32)	23	2,933	**2,924**
Revenues from rental	1	–	19,229	**19,230**
Total sales revenues	**1,417,213**	**127**	**51,058**	**1,468,398**

The first two items in the tables below include the revenues from the contracts with clients in line with IFRS 15.
The revenues from the sales of goods and materials are in large part generated at a point in time. On the other hand, the revenues from the sales of services are revenues generated over time.

Geographical information

Year ended on 31 December 2022	Power sector	Oil, gas and chemicals	Other activity	Total activity

Poland	1,417,213	127	50,883	**1,468,223**
Abroad	–	–	175	**175**
Total sales revenues	**1,417,213**	**127**	**51,058**	**1,468,398**

During 2023, the Company did not generate revenues outside the country. The company classifies the sales as domestic or foreign sales based on the location of the service or the delivery.

7.2. Key recipients

In 2023 the Company had two recipients who generated over 10% of sales revenues. These sales are presented in the Power Sector and amounted to PLN 752,063 thousand in 2023.

7.3. Other significant events regarding ongoing contracts

In 2023 the Company implemented the following strategic the following 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 execution of a gas and steam CHP plant 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 Kogeneracja the total amount of PLN 343,930,862.80 net plus applicable VAT 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), 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:

(in thousands of PLN)

- 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.

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.

7.4. Costs classified by type

	Year ended on 31 December 2023	Year ended on 31 December 2022
Depreciation	14,711	12,016
Use of materials and energy	24,629	43,099
External services including construction	991,047	1,228,751
Taxes and payments	4,680	3,116
Costs of employee benefits	89,054	81,682
Other classified costs	10,275	7,437
Total costs classified by type	**1,134,396**	**1,376,101**
Items included in the general administration expenses	(32,824)	(31,999)
Value of goods and materials sold	3,298	990
Change in finished goods	–	–
Cost of goods sold	**1,104,870**	**1,345,092**

The costs of short-term leasing and leasing of low-value assets incurred in 2023 amounted to PLN 7,287 thousand (PLN 6,088 thousand in 2022). These costs are presented as a component of costs of external services.

The costs related to the real estate on which the Company generates rental income amounted in 2023 to: PLN 4,990 thousand, while in 2022 it was PLN 13,546 thousand.

7.5. 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	**13,765**	**11,151**
Depreciation of tangible fixed assets	13,588	11,014
Depreciation of intangible assets	177	137
Items included in the general administration expenses	**946**	**865**
Depreciation of tangible fixed assets	896	820
Depreciation of intangible assets	50	45
Total depreciation	**14,711**	**12,016**
Total depreciation of tangible fixed assets	14,484	11,834
Total depreciation of intangible assets	227	182

(in thousands of PLN)

7.6. Costs of employee benefits

	Year ended on 31 December 2023	Year ended on 31 December 2022
Remuneration	73,604	68,625
Social insurance costs	12,627	10,427
Retirement benefit costs	186	227
Write-offs for the Company Social Benefits Fund	759	670
Other	1,878	1,733
Total costs of employee benefits	**89,054**	**81,682**
Items presented as cost of goods sold	63,204	56,909
Items included in the general administration expenses	25,850	24,773

7.7. Profit / (loss) on impairment of financial assets

	Year ended on 31 December 2023	Year ended on 31 December 2022
Write-offs on receivables	1,310	(956)
Write-offs on borrowings	–	–
Profit / (loss) on impairment of financial assets	**1,310**	**(956)**

7.8. Other operating revenues

	Year ended on 31 December 2023	Year ended on 31 December 2022
Profit on sale of tangible fixed assets	31	2,347
Dissolved and used provisions for litigation	–	283
Profit on revaluation of investment properties and property, plant and equipment at fair value	13,323	–
Penalties and compensations received	257	533
Waiver on liabilities	214	768
Other	200	86
Total other operating revenues	**14,025**	**4,017**

7.9. Other operating costs

	Year ended on 31 December 2023	Year ended on 31 December 2022
Penalties and compensations	390	1,272
Legal costs	536	364
Donations	7	62
Settlement of the fixed assets inventory	109	–
Other	79	27
Total other operating costs	**1,121**	**1,725**

7.10. Financial income

	Year ended on 31 December 2023	Year ended on 31 December 2022
Revenues from bank interests and borrowings	16,388	14,116
Income due to the interest on late payment of receivables	266	1,040
Revenues from dividends	55,516	9,166
Profit from sales of financial assets	–	62
Foreign exchange profits	202	1,779
Valuation of long-term settlements with amortised costs	1,045	1,714

(in thousands of PLN)

Share in profits of limited partnerships	12,983	36,721
Other	454	472
Total financial income	**86,854**	**65,070**

In 2023 the value of PLN 12,983 from shares in the profits of limited partnerships consist of shares in the profits of the companies: Polimex Opole Sp. z o.o. Sp.k., Mostostal Siedlce Sp. z o.o. Sp.k. during the period until 2.07.2023, i.e. until the date of transformation into Sp. z o.o., Polimex Budownictwo Sp. z o.o. Sp.k. and Polimex Operator Sp. z o.o. Sp.k.

The dividend income recognised in 2023 related to dividends granted from subsidiaries: Naftoremont-Naftobudowa Sp. z o.o. (in the amount of PLN 52 million), Stalfa Sp. z o.o. (PLN 3.5 million), Huta Stalowa Wola S.A. (PLN 16 thousand).

7.11. Financial costs

	Year ended on 31 December 2023	Year ended on 31 December 2022
Interest on bank loans and borrowings	460	1,527
Interest and commissions on bonds	12,438	11,920
Interest on other liabilities	59	341
Bank charges on guarantees and loans	921	698
Financial costs due to lease agreements	1,668	1,093
Other	433	492
Total financial costs	**15,979**	**16,071**

8. Income tax

8.1. Current income tax

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

	Year ended on 31 December 2023	Year ended on 31 December 2022
Profit and loss account		
Current income tax liabilities	(38)	(67)
Foreign income tax for the previous years	–	–
Deferred income tax	35,963	(17,396)
Tax burden due to continued business activity recognised in the profit and loss account	**35,925**	**(17,463)**
Interim comprehensive income statement		
Deferred income tax due to revaluation of land and buildings	(261)	–
Deferred income tax from valuation of liabilities due to post-employment benefits	40	(38)
Tax burden due to continued business activity recognised in the statement of comprehensive income	**(221)**	**(38)**

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

	Year ended on 31 December 2023	Year ended on 31 December 2022
Profit / (loss) before tax	(120,043)	35,825
Tax at the statutory income tax rate applicable in Poland, which in 2023 was 19% (2022: 19%)	22,808	(6,807)
Tax effects from the following items:		
- Non-taxable income	13,269	8,764
- Expenses not deductible for tax purposes	(383)	(19,353)

(in thousands of PLN)

Foreign income tax for the previous years	(46)	–
- Other	277	(67)
Income tax expense	**35,925**	**(17,463)**

8.2. Deferred income tax

The table below presents the assets and provision for deferred income tax before offsetting.

	Status as at 31 December 2023	Status as at 31 December 2022
Deferred income tax assets:		
- to be implemented after 12 months	4,671	4,238
- to be implemented within 12 months	116,202	79,477
	120,873	**83,715**
Deferred income tax liabilities:		
- to be implemented after 12 months	9,275	6,745
- to be implemented within 12 months	437	1,551
	9,712	**8,296**

(in thousands of PLN)

8.3. Assets and provisions due to deferred income tax

Deferred tax assets	Employee benefit liabilities	Other employee benefits	Write-offs on inventory	Write-offs on receivables	Valuation of long-term contracts	Provisions and accruals	Overdue liabilities	Tax losses	Discount and accrued interest	Provision for losses	Other	Total
Status as at 01 January 2022	**3,015**	**296**	**404**	**10,036**	**49,515**	**30,760**	**5**	**7,657**	**175**	–	**136**	**101,999**
Recognition / (charge) of the financial result	511	38	(5)	1,653	(13,602)	(1,130)	(3)	(6,133)	436	–	(11)	(18,246)
Recognition / (charge) of other comprehensive income	(38)	–	–	–	–	–	–	–	–	–	–	(38)
Status as at 31 December 2022	**3,488**	**334**	**399**	**11,689**	**35,913**	**29,630**	**2**	**1,524**	**611**	–	**125**	**83,715**
Recognition / (charge) of the financial result	(673)	(286)	(9)	(1,138)	(33,694)	(338)	5	69,078	(142)	4,181	134	37,118
Recognition / (charge) of other comprehensive income	40	–	–	–	–	–	–	–	–	–	–	**40**
Status as at 31 December 2023	**2,855**	**48**	**390**	**10,551**	**2,219**	**29,292**	**7**	**70,602**	**469**	**4,181**	**259**	**120,873**
Presentation of net assets and liabilities due to deferred tax												(9,712)
Deferred tax assets in the balance sheet												**111,161**

Deferred tax liabilities	Temporary differences regarding tangible fixed assets	Valuation of long-term settlements with amortised costs	Equity element of bonds, valuation	Other	Total
Status as at 01 January 2022	**6,655**	**117**	**1,230**	**1,144**	**9,146**
Charge / (recognition) of the financial result	91	822	(955)	(808)	(850)
Charging/ (recognition) of other comprehensive income	–	–	–	–	–
Status as at 31 December 2022	**6,746**	**939**	**275**	**336**	**8,296**
Charge / (recognition) of the financial result	2,268	(143)	(267)	(703)	1,155
Charging/ (recognition) of other comprehensive income	261	–	–	–	261
Status as at 31 December 2023	**9,275**	**796**	**8**	**(367)**	**9,712**
Presentation of net assets and liabilities due to deferred tax					(9,712)
Deferred tax liabilities in the balance sheet					**–**

(in thousands of PLN)

As at 31 December 2023 the Company had unsettled tax losses in the amount of PLN 371,591 thousand. The value of deferred tax assets due to unsettled tax losses amounted to PLN 70,602 thousand. As at 31 December 2023 there are no unrecognised assets due to tax loss. The Company 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, the Company will use tax loss assets: in 2024 – amounting to PLN 36,189 thousand, 2025 – amounting to PLN 16,314 thousand, 2027 – amounting to PLN 16,892 thousand and 2028 – amounting to PLN 1,207 thousand.

9. Dividends paid and proposed for payment

The Company did not declare or pay dividends in 2023 and 2022. The Company does not anticipate the payment of dividends in 2024 for the financial year ended on 31 December 2023.

10. Profit per share

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

The Company has financial liabilities arising from convertible bonds. Diluted earnings per share is calculated by dividing net profit attributable to ordinary shareholders (net of interest on bonds convertible into ordinary shares) for the period by the weighted average number of ordinary shares in issue outstanding during the reporting period (adjusted for the effect of dilutive bonds convertible into ordinary shares).

The profit and share figures used to calculate basic and diluted earnings per share are set out below:

	Year ended on 31 December 2023	Year ended on 31 December 2022
Net profit / (loss)	**(84,118)**	**18,362**
Basic profit/ (loss) per share (in PLN):		
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 profit/(loss) per share	241,277,021	238,653,049
Basic profit/(loss) per share	**(0.349)**	**0.077**
Net profit / (loss)	**(84,118)**	**18,362**
Adjustment to net profit / (loss) – interest expense on convertible bonds	10,075	9,655
Net profit / (loss) after adjustment to calculation of diluted loss per share	(74,043)	28,017
Diluted profit/ (loss) per share (in PLN):		
Dilutive potential ordinary shares related to convertible bonds	34,591 781	37,215,753
Potentially dilutive weighted average number of ordinary shares used in the calculation of diluted profit/(loss) per share	275,868,802	275,868,802
Diluted profit/ (loss) per share	**(0.268)**	**0.102**

(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	Total
Own tangible fixed assets	11,670	3,385	1	220	3,368	**18,644**
Right-of-use assets	26,414	552	10,761	1,363	–	**39,090**
Total tangible fixed assets	**38,084**	**3,937**	**10,762**	**1,583**	**3,368**	**57,734**

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	Total
Net value as at 01 January 2023	**10,737**	**4,073**	**5**	**199**	**37**	**15,051**
Purchase of tangible fixed assets	45	1,442	–	162	3,331	**4,980**
Revaluation	1,405	–	–	–	–	**1,405**
Depreciation charge for the financial period	(517)	(2,130)	(4)	(141)	–	**(2,792)**
Net value as at 31 December 2023	**11,670**	**3,385**	**1**	**220**	**3,368**	**18,644**
Status as at 01 January 2023						
Gross value	12,952	26,664	677	7,631	1,427	**49,351**
Depreciation and impairment write-off	(2,215)	(22,591)	(672)	(7,432)	(1,390)	**(34,300)**
Net value as at 01 January 2023	**10,737**	**4,073**	**5**	**199**	**37**	**15,051**
Status as at 31 December 2023						
Gross value	13,249	27,722	677	7,496	4,758	**53,902**
Depreciation and impairment write-off	(1,579)	(24,337)	(676)	(7,276)	(1,390)	**(35,258)**
Net value as at 31 December 2023	**11,670**	**3,385**	**1**	**220**	**3,368**	**18,644**

(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	**28,915**	**411**	**9,970**	**3,278**	**42,574**
Conclusion of new lease agreements	1,551	348	5,846	620	**8,365**
Termination of lease agreements	–	(28)	(129)	–	**(157)**
Depreciation charge for the financial period	(4,052)	(179)	(4,926)	(2,535)	**(11,692)**
Net value as at 31 December 2023	**26,414**	**552**	**10,761**	**1,363**	**39,090**
Status as at 01 January 2023					
Gross value	37,739	676	17,236	6,005	**61,656**
Depreciation and impairment write-off	(8,824)	(265)	(7,266)	(2,727)	**(19,082)**
Net value as at 01 January 2023	**28,915**	**411**	**9,970**	**3,278**	**42,574**
Status as at 31 December 2023					
Gross value	38,786	967	19,242	6,625	**65,620**
Depreciation and impairment write-off	(12,372)	(415)	(8,481)	(5,262)	**(26,530)**
Net value as at 31 December 2023	**26,414**	**552**	**10,761**	**1,363**	**39,090**

(in thousands of PLN)

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

Net value	Lands, buildings and structures	Machines and equipment	Means of transportation	Other tangible fixed assets	Tangible fixed assets under construction	Total
Own tangible fixed assets	10,737	4,073	5	199	37	**15,051**
Right-of-use assets	28,915	411	9,970	3,278	–	**42,574**
Total tangible fixed assets	**39,652**	**4,484**	**9,975**	**3,477**	**37**	**57,625**

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	Total
Net value as at 01 January 2022	**11,382**	**4,789**	**7**	**327**	**57**	**16,562**
Purchase of tangible fixed assets	–	1,390	2	32	37	**1,461**
Settlement of a fixed asset under construction	–	27	–	–	(27)	**–**
Sale and liquidation of tangible fixed assets	–	(104)	–	–	–	**(104)**
Reclassification	–	–	–	–	(30)	**(30)**
Depreciation charge for the financial period	(645)	(2,029)	(4)	(160)	–	**(2,838)**
Net value as at 31 December 2022	**10,737**	**4,073**	**5**	**199**	**37**	**15,051**
Status as at 01 January 2022						
Gross value	12,952	31,329	1,164	8,641	1,447	**55,533**
Depreciation and impairment write-off	(1,570)	(26,540)	(1,157)	(8,314)	(1,390)	**(38,971)**
Net value as at 01 January 2022	**11,382**	**4,789**	**7**	**327**	**57**	**16,562**
Status as at 31 December 2022						
Gross value	12,952	26,664	677	7,631	1,427	**49,351**
Depreciation and impairment write-off	(2,215)	(22,591)	(672)	(7,432)	(1,390)	**(34,300)**
Net value as at 31 December 2022	**10,737**	**4,073**	**5**	**199**	**37**	**15,051**

(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	**13,198**	**89**	**9,113**	**2,618**	**25,018**
Conclusion of new lease agreements	18,439	434	5,205	2,595	**26,673**
Termination of lease agreements	–	–	(121)	–	**(121)**
Reclassification	–	–	–	–	**–**
Depreciation charge for the financial period	(2,722)	(112)	(4,227)	(1,935)	**(8,996)**
Net value as at 31 December 2022	**28,915**	**411**	**9,970**	**3,278**	**42,574**
Status as at 01 January 2022					
Gross value	19,299	342	13,632	3,411	**36,684**
Depreciation and impairment write-off	(6,101)	(253)	(4,519)	(793)	**(11,666)**
Net value as at 01 January 2022	**13,198**	**89**	**9,113**	**2,618**	**25,018**
Status as at 31 December 2022					
Gross value	37,739	676	17,236	6,005	**61,656**
Depreciation and impairment write-off	(8,824)	(265)	(7,266)	(2,727)	**(19,082)**
Net value as at 31 December 2022	**28,915**	**411**	**9,970**	**3,278**	**42,574**

11.2. Fair values of land, buildings and 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 is valued using the revaluation model (fair value) model.

The valuation of tangible fixed assets was performed as at 31 December 2023.

The Company employs external independent appraisers to determine the fair value of land, buildings and structures owned by the Company. In 2023, the fair values of the properties were determined in the form of appraisal reports prepared by independent appraisers.

In estimating the fair value of the properties, the most favourable and best use approach (which is the current use of the properties) was applied. The external valuation of land, buildings and structures under Level 3 was carried out using the comparative approach.

The table below shows the fair value of the group of fixed assets classified as land, buildings, structures that were revalued in 2023. All those properties whose fair value deviated significantly from book value were subject to revaluation.

	Fair value as at 31 December 2023 Level 3
Properties developed with a complex of warehouse, industrial and office buildings, including land	11,165
Total	**11,165**

Description	Fair value as at 31 December 2023	Valuation techniques	Unobservable data	Unobservable data range (probability weighted average)	Relations between unobservable data and fair value
Properties developed with a complex of warehouse, industrial and office buildings, including land comprising the property	11,165	Comparative approach, average price correction method	Correction coefficient	K=0,8438	A small increase in the coefficient applied would result in a significant decrease in the fair value of the property (and vice versa).
			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 PLN 3,031.52 (Siedlce district)	A significant increase in market-price rent would cause a significant increase in fair value (and vice versa).

(in thousands of PLN)

11.3. Investment property

	Year ended on 31 December 2023	Year ended on 31 December 2022
Value as at 1 January	**65,982**	**37,293**
Increase in ownership:		
- acquisition	–	478
- reclassification from tangible fixed assets	–	30
- reclassification from assets held for sale	–	27,500
- capital expenditures incurred	25	681
Reductions in inventories:		
- sale	(114)	–
- liquidation	(36)	–
- reclassification to assets held for sale	(27,500)	–
Valuation	1,304	–
Value as at 31 December	**39,661**	**65,982**

The largest change during 2023 is the reclassification to assets held for sale of the property located in Kraków at ul. Powstańców 66. Detailed information is presented in Note 18.

The rental income generated by investment property amounted to PLN 9,416 thousand in 2023 and PLN 7,445 thousand in 2022. Direct operating costs related to investment property that generated the rent income amounted to PLN 4,990 thousand in 2023 and PLN 4,223 thousand in 2022. 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 techniques used for the valuation were based on unobservable input data. The property appraiser confirmed that after taking into account the purpose and scope of the valuation, the purpose of the property, its legal status and its development status, as well as the market information about similar properties, the proper procedure for determining the market value of the property will be the comparative approach, the method of adjusting the average price.

The table below shows the investment properties that were measured at fair value in 2023. The individual levels are defined as follows:

- Quoted prices (unadjusted) from active the 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.

	Fair value as at 31 December 2023 Level 3	Fair value as at 31 December 2022 Level 3
Properties developed with a complex of office and industrial buildings	39,661	65,982
Total	**39,661**	**65,982**

The table below illustrates a summary of data relevant to the investment property valuations carried out:

(in thousands of PLN)

Description	**Fair value as at 31 December 2023**	**Valuation techniques**	**Unobservable data**	**Unobservable data range (probability weighted average)**	**Relations between unobservable data and fair value**
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	39,661	Comparative approach, average price correction method	Correction coefficient	K= 0,7987; K=1,064; K-1,0796	A small increase in the coefficient applied would result in a significant decrease in the fair value of the property (and vice versa).
			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 properties in Jasło district 1161.91	An increase in the average price per square meter increases the value of real estate (and vice versa)
				- average price per square metre of usable floor area of comparable properties in Płock district: PLN 928 and 1434.16 per square metre	
			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 properties in Krosno district PLN 1,218.83	

(in thousands of PLN)

12. Financial assets

12.1. Long-term financial assets

	Status as at 31 December 2023	Status as at 31 December 2022
Shares in subsidiaries	484,790	404,862
Bank guarantee deposits	–	625
Borrowings	10,731	16,004
Total	**495,521**	**421,491**

Change in long-term financial assets – bonds and shares:

	Status as at 31 December 2023	Status as at 31 December 2022
Status as at 01 January	**404,862**	**460,665**
Increases	**79,928**	**2,735**
Purchase of shares	2,010	2,524
Capital increase	22,037	211
Increase in value of shares due to conversion of subsidiary	55,881	
Decreases	–	**(58,538)**
Sale of shares	–	(2,263)
Liquidation of the company	–	(45)
Impairment losses	–	(56,230)
Status as at 31 December	**484,790**	**404,862**

During 2023, the value of shares held in subsidiaries increased by PLN 79,928 thousand compared to 31 December 2022.

During 2023, the following changes in the value of shares held in companies occurred:

- On 31 March 2023, a new company Polimex Prefabrykacja Sp. z o.o. was established, with Polimex Mostostal S.A. as the sole shareholder. A share of PLN 5,000 was paid into the share capital, which was subsequently increased by PLN 2,000,000 in September 2023.
- On 4 April 2023, a new company Polimex PV1 Sp. z o.o. was established, with Polimex Mostostal S.A. as the sole shareholder. A share of PLN 5,000 was paid into the share capital.
- On 3 July 2023, the value of shares in Mostostal Siedlce Sp. z o.o. Sp. k. (now Mostostal Siedlce Sp. z o.o.) was increased by PLN 55,881 thousand as a result of the conversion of the company's pre-conversion profit-sharing liabilities into the company's post-conversion reserve capital.
- In August 2023, the value of the shares in Polimex Mostostal GmbH was increased by PLN 82 thousand.
- In September 2023, the value of the capital of Polimex Energetyka Sp. z o.o. was increased by PLN 21 955 thousand.

The shares in related entities are presented in note 12.3.

12.2. Short-term financial assets

	Status as at 31 December 2023	Status as at 31 December 2022
Bank guarantee deposits related to contracts	625	–
Borrowings	5,832	6,723
Total	**6,457**	**6,723**

(in thousands of PLN)

12.3. Shares in entities at 31 December 2023

Item	Entity	Registered office	Scope of business activity	Value of shares according to the purchase price	Revaluation write-offs	Carrying amount of shares	Percentage share
	Subsidiaries						
1	Mostostal Siedlce Sp. z o.o.	Siedlce	Production of metal and other structures	263,920	–	263,920	99%
2	Polimex Energetyka Sp. z o.o.	Warsaw	Construction works	245,212	(134,676)	110,536	100%
3	Naftoremont-Naftobudowa Sp. z o.o.	Płock	Construction works	53,518	–	53,518	100%
4	Polimex Operator Sp. z o.o. Sp. k.	Warsaw	Rental and leasing of construction machinery and equipment,	16,983	–	16,983	98.99%
5	Czerwonogradzki Zakład Konstrukcji Stalowych	Chervonograd, Ukraine	Production of metal structures	9,035	–	9,035	100%
6	Polimex Opole Sp. z o.o. Sp.k.	Warsaw	Construction works	8,052	(6,863)	1,189	99.80%
7	Polimex Budownictwo Sp. z o.o. Sp. k.	Siedlce	Construction works	5,475	–	5,475	98.99%
8	Stalfa Sp. z o.o.	Sokołów Podlaski	Manufacturing of metal products	5,294	–	5,294	100%
9	Polimex Infrastruktura Sp. z o.o.	Warsaw	Construction works on the roads and highways	5,269	–	5,269	100%
10	Energomontaż – Północ Bełchatów S. A.	Rogowiec	Specialised construction and assembly services	6,722	–	6,722	77.25%
11	Polimex Centrum Usług Wspólnych Sp. z o.o. in liquidation	Warsaw	Does not conduct any business activity	4,180	(3,162)	1,018	100%
12	Polimex Mostostal ZUT Sp. z o.o.	Siedlce	Technical services	1,006	–	1,006	100%
13	Polimex Budownictwo Sp. z o.o.	Siedlce	Does not conduct any business activity	11,242	(11,090)	152	100%
14	Instal Lublin S.A.	Lublin	Specialised construction services	1,494	–	1,494	100%
15	Polimex Mostostal Wschód Sp. z o.o.	Moscow, Russia	Sale of metal gratings	20	–	20	100%
16	Other non-consolidated subsidiaries			2,938	(4)	2,934	
17	Other not controlled			566	(341)	225	
			Total	**640,926**	**(156,136)**	**484,790**	

The statement does not include entities over which the Company has no control and whose value has been written off in full.

(in thousands of PLN)

During 2023 and at the beginning of 2024, the legal forms and names of the companies listed below were changed:

- On 3 July 2023, Mostostal Siedlce Sp. z o.o. Sp.k. was transformed into the 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.);
- 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.).

13. Trade and other receivables

	Note	Status as at 31 December 2023	Status as at 31 December 2022
Trade receivables		**274,711**	**124,324**
- from related entities	27	184,593	42,519
- from other entities		90,118	81,805
Other receivables		**45,821**	**127,061**
Budget receivables		11,816	49,115
Other receivables from third parties		3,078	3,203
Other receivables from related entities		30,927	74,743
Total receivables (net)		**320,532**	**251,385**
Write-offs on trade receivables and other receivables	14	43,052	57,093
Total receivables (gross)		**363,584**	**308,478**

Trade receivables do not bear interest and they usually have a payment period of 30 to 180 days.
Settlements and turnover with related entities are presented in note 27.2. There is a credit risk associated with trade receivables – more information on this matter is presented in note 30.3. Impairment on trade receivables in the year ended on 31 December 2023 is presented in note 14.

14. Financial instruments – impairment

Classification of financial assets measured at amortised cost to individual levels of the impairment model:

(in thousands of PLN)

Financial instruments	Status as at 31 December 2023		
	Level 1 12-month ECL	Level 2 Lifetime ECL – without impairment	Level 3 Lifetime ECL – with impairment
Gross carrying amount	**186,765**	**381,104**	**59,883**
Trade receivables	–	276,585	37,144
Other receivables*	–	34,005	4,034
Deposits due to the construction contracts	–	53,790	3,951
Borrowings (granted)	–	16,724	14,754
Bank guarantee deposits	625	–	–
Cash and cash equivalents	186,140	–	–
Revaluation write-offs	–	**(2,054)**	**(59,883)**
Trade receivables	–	(1,874)	(37,144)
Other receivables*	–	–	(4,034)
Deposits due to the construction contracts	–	(19)	(3,951)
Borrowings (granted)	–	(161)	(14,754)
Carrying amount	**186,765**	**379,050**	–
Trade receivables	–	274,711	–
Other receivables*	–	34,005	–
Deposits due to the construction contracts	–	53,771	–
Borrowings (granted)	–	16,563	–
Bank guarantee deposits	625	–	–
Cash and cash equivalents	186,140	–	–

** This item covers other long-term and short-term receivables.*

Financial instruments	Status as at 31 December 2022		
	12-month ECL	Lifetime ECL – without impairment	Lifetime ECL – with impairment
Gross carrying amount	**800,202**	**271,485**	**73,977**
Trade receivables	–	126,161	51,222
Other receivables*	–	78,168	4,034
Deposits due to the construction contracts	–	44,208	3,967
Borrowings (granted)	–	22,948	14,754
Bank guarantee deposits	625	–	–
Cash and cash equivalents	799,577	–	–
Revaluation write-offs	–	**(2,107)**	**(73,977)**
Trade receivables	–	(1,837)	(51,222)
Other receivables*	–	–	(4,034)
Deposits due to the construction contracts	–	(49)	(3,967)
Borrowings (granted)	–	(221)	(14,754)
Carrying amount	**800,202**	**269,378**	–
Trade receivables	–	124,324	–
Other receivables*	–	78,168	–
Deposits due to the construction contracts	–	44,159	–
Borrowings (granted)	–	22,727	–
Bank guarantee deposits	625	–	–
Cash and cash equivalents	799,577	–	–

** This item covers other long-term and short-term receivables.*

(in thousands of PLN)

The below table presents the indicators used to estimate the expected credit losses as at 31 December 2023.

Trade receivables and deposits	Current and 30 days after the payment date	Overdue from 31 to 90 days	Overdue from 91 to 180 days	Overdue over 180 days
Ratio	0.03%	0.22%	1.70%	13.79%
Value of the write-offs on expected credit losses as at 31 December 2023	95	28	27	1,743
Borrowings	**Current and 30 days after the payment date**	**Overdue from 31 to 90 days**	**Overdue from 91 to 180 days**	**Overdue over 180 days**
Ratio	0.96%	-	-	-
Value of the write-offs on expected credit losses as at 31 December 2023	161	-	-	-

The basis for calculating the expected loan loss ratios are historical balance sheet data on the balances of financial assets (including long-term receivables, deposits, trade and other receivables) and the values created in the corresponding write-off periods. The ratios were estimated as the quotient of the sum of the value of created revaluation write-offs in relation to the sum of balances of financial assets broken down by the time structure.

Reconciliation of write-offs on trade receivables is presented in the table below.

	Status as at 31 December 2023	Status as at 31 December 2022
Opening balance of revaluation write-offs	**53,059**	**58,173**
Use	(12,838)	(4,779)
Releasing due to settlement of receivables	(1,256)	(1,049)
Reclassification from write-offs of deposits and assets held for sale	–	(16)
Change due to recognition of a write-off on expected credit losses (+) increases / (-) decreases	53	730
Write-offs at the end of the period	**39,018**	**53,059**

Reconciliation of write-offs on deposits is presented in the table below.

	Status as at 31 December 2023	Status as at 31 December 2022
Opening balance of revaluation write-offs	**4,016**	**3,975**
Reclassification	–	16
Change due to recognition of a write-off on expected credit losses (+) increases / (-) decreases	(46)	25
Write-offs at the end of the period	**3,970**	**4,016**

15. Long-term construction contracts

The value of recognised assets and liabilities due to the valuation of long-term contracts for the provision of construction services in the Company was as follows:

(in thousands of PLN)

Contracts during the reporting period	Construction contracts assets	Construction contracts liabilities
As at 01 January 2023	**103,704**	**(250,494)**
Changes in valuation of contracts	149,393	(54,971)
Revenues recognised in 2023 included in the balance of liabilities as at 1 January 2023	–	240,420
Change in the period during which the right to remuneration becomes	(171,796)	–
Change in advances received	42,444	(72,685)
As at 31 December 2023	**123,745**	**(137,730)**

The significant increase in the balance of valuation receivables is due to progress on the Dolna Odra and CHP Bydgoszcz contracts. For a description of the status of execution of these contracts, see Note 7.3.

The revenues recognised in 2023 included in the balance of liabilities at the beginning of the period amounted to PLN 240,421 thousand.

The revenues recognised in 2023 regarding performance obligations fulfilled in the previous periods amounted to PLN 0.

Contracts during the reporting period	Construction contracts assets	Construction contracts liabilities
As at 01 January 2022	**4,848**	**(400,316)**
Changes in valuation of contracts	178,191	(240,420)
Revenues recognised in 2022 included in the balance of liabilities as at 1 January 2022	–	319,349
Change in the period during which the right to remuneration becomes	(73,563)	–
Change in advances received	(5,772)	70,893
As at 31 December 2022	**103,704**	**(250,494)**

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	53,771	44,159
Retained by suppliers	34,061	30,406

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	1,145,906	1,182,045
b) over 1 year	1,626,555	345,275
Total	**2,772,461**	**1,527,320**

16. Cash and cash equivalents

	Status as at 31 December 2023	Status as at 31 December 2022
Cash at bank and in hand	156,140	83,177
Short-term deposits	30,000	716,400

(in thousands of PLN)

Total	**186,140**	**799,577**
Restricted cash	*35,152*	*60,885*

The above cash balance includes cash in VAT accounts under split payment.

Restricted cash relates to funds held in the project account 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.

Bank cash bears interest at variable interest rates, the amount of which depends in particular on the dates when the deposits were made and the relevant market interest rates. Short-term deposits are made for various periods, normally varying from one day to three months depending on the Company's current demand for cash, and they bear interest according to the interest rates determined for them.

17. Change in the balance sheet items in the cash flow statement

	Year ended on 31 December 2023	Year ended on 31 December 2022
Change in receivables in the balance sheet	**(98,578)**	**(39,644)**
Adjustment for receivables from dividends	(1,279)	(7,383)
Adjustment for receivables from sales of non-financial fixed assets	(58)	(1,687)
Adjustment for conversion of receivables into shares in a related party	(55,881)	–
Adjustment for compensations related to loans received and granted	(5)	(5)
Other adjustments	–	25
Change in receivables in the cash flow statement	**(155,801)**	**(48,694)**
Change in liabilities in the balance sheet	**(317,090)**	**36,742**
Adjustment for a change in liabilities due to the acquisition of tangible fixed assets	(840)	49
Adjustment for change in lease terms	1,548	–
Adjustment for change in pension provision in accumulated total capital	(212)	199
Other adjustments	–	3
Change in liabilities in the cash flow statement	**(316,594)**	**36,993**
Revaluation of shares	–	56,230
ECL revaluation	(60)	565
Other in the cash flow statement	**(60)**	**56,795**

18. Assets held for sale

Pursuant to the provisions of the Intercreditor Agreement dated 11 September 2014, as amended, the Issuer is authorised to dispose of certain assets. The table presents the balance of assets held for sale as at 31 December 2023 and as at 31 December 2022:

	Status as at 31 December 2023	Status as at 31 December 2022
Tangible fixed assets	408	486
Investment property	39,504	17
Total 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 the property presented in accordance with IFRS 5 amounts to PLN 39 487 thousand.

(in thousands of PLN)

19. Equity

19.1. 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
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 holds 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.

(in thousands of PLN)

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.

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 of the Company 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 publication, 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%**

(in thousands of PLN)

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

19.2. Reserve capital

Pursuant to 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 the reserve capital amounted to PLN 319,549 thousand.

19.3. 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 Note19.1. As at 31 December 2023, the convertible bond surplus reserve amounts to PLN 5,175 thousand.

19.4. Accumulated other comprehensive income

Accumulated other comprehensive income consists of capital from revaluation of tangible fixed assets and actuarial gains/(losses). The revaluation reserve as at 31 December 2023 amounts to PLN 29,132 thousand and as at 31 December 2022 it amounted to PLN 28,020 thousand. The actuarial profit as at 31 December 2023 amounted to PLN 967 thousand and as at 31 December 2022 it amounted to PLN 1,139 thousand.

19.5. Retained earnings

Pursuant to Resolution No. 7 of the Company's Annual General Meeting of 14 June 2023, the net profit for the financial year 2022 in the amount of PLN 18,362 thousand was allocated to supplementary capital. As at 31 December 2023, retained earnings amount to minus PLN 84,118 thousand.

20. Bank loans, borrowings and other sources of financing

	Status as at 31 December 2023	Status as at 31 December 2022
Short-term including:	**22,810**	**21,397**
Borrowings	11,046	10,592
Lease liabilities	11,764	10,805
Long-term including	**29,439**	**32,951**
Borrowings	–	–
Lease liabilities	29,439	32,951
Total bank loans, borrowings and lease liabilities	**52,249**	**54,348**

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

	Status as at 31 December 2023	Status as at 31 December 2022
The value of loan liabilities at the beginning of the period	**10,592**	**20,418**
Accrued interest calculated at the effective interest rate	460	1,527
Interest payments	(6)	(208)
Capital payments	–	(11,145)
The value of loan liabilities at the end of the period	**11,046**	**10,592**

(in thousands of PLN)

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	**43,756**	**26,091**
Lease liabilities	8,208	26,594
Recognition of lease liabilities at amortised cost	1,668	1,093
Repayment of liabilities	(12,309)	(9,998)
Changes to leases	(120)	(24)
The value of lease liabilities at the end of the period	**41,203**	**43,756**

21. 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).

(in thousands of PLN)

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 31 July 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:

- 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 19.1.

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**

22. Assets pledged as collateral

In connection with the credit facilities granted to the Company, in particular bank guarantees, insurance guarantees and covered ordinary and convertible bonds, the Company, on the basis of a number of agreements concluded, in particular enterprise pledge agreements, agreements for pledges on individual assets and agreements for the establishment of mortgages, has pledged assets with a value of PLN 1,156,331 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 1,554,787 thousand.

(in thousands of PLN)

23. Provisions

	Provisions for warranty repairs	Provision for litigations	Provision for penalties	Provision for losses	Provision for sureties	Total
As at 01 January 2023	**27,189**	**2,156**	**450**	**–**	**8**	**29,803**
Created in the financial year	7,395	–	–	22,004	123	**29,522**
Used	(404)	–	–	–	(123)	**(527)**
Dissolved	(4,416)	–	(41)	–	–	**(4,457)**
As at 31 December 2023	**29,764**	**2,156**	**409**	**22,004**	**8**	**54,341**
Short-term as at 31 December 2023	7,714	1,956	409	22,004	8	**32,091**
Long-term as at 31 December 2023	22,050	200	–	–	–	**22,250**

	Provisions for warranty repairs	Provision for litigations	Provision for penalties	Provision for sureties	Total
As at 01 January 2022	**14,638**	**2,792**	**500**	**7**	**17,937**
Created in the financial year	14,233	–	–	126	**14,359**
Used	(429)	(636)	(50)	(125)	**(1,240)**
Dissolved	(1,253)	–	–	–	**(1,253)**
As at 31 December 2022	**27,189**	**2,156**	**450**	**8**	**29,803**
Short-term as at 31 December 2022	6,274	1,956	450	8	**8,688**
Long-term as at 31 December 2022	20,915	200	–	–	**21,115**

24. Employee benefit liabilities

24.1. Employee benefit liabilities – split into long-term and short-term

	Status as at 31 December 2023	Status as at 31 December 2022
Payroll liabilities	4,096	3,589
Social security liabilities	3,699	3,249
Bonuses and rewards	9,925	13,993
Unused holidays	3,750	3,402
Retirement and disability benefits	291	410
Liabilities due to employee benefits – short-term	**21,761**	**24,643**
Retirement and disability benefits	1,062	682
Liabilities due to employee benefits – long-term	**1,062**	**682**

The Company 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 Company creates a provision for the current value of the liability for retirement and disability benefits and other post-employment benefits.

(in thousands of PLN)

24.2. Main assumptions adopted by the actuary to measure liabilities due to long-term employee benefits

	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/ (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	133	188
Past service cost and benefit plan restrictions	–	–
Costs of interests	52	39
Components of defined benefit plan costs recognised in profit or loss	**185**	**227**
Revaluation of net liabilities due to defined benefits:		
Actuarial gains/ (losses) resulting from changes in demographic assumptions	(3)	(2)
Actuarial gains/ (losses) resulting from changes in financial assumptions	151	(178)
Actuarial gains/ (losses) resulting from changes in ex post assumptions	63	(19)
Components of benefit plan costs recognised in other comprehensive income	**211**	**(199)**
Total	**396**	**28**

The reconciliation of the balance sheet change in provisions for retirement and disability benefits is presented in the table below:

	Year ended on 31 December 2023	Year ended on 31 December 2022
Liabilities due to defined benefits as at the beginning of the period	**1,092**	**1,164**
Current employment costs	134	188
Costs of interests	52	39
Profits/ (losses) due to revaluation:		
Actuarial gains / (losses) due to differences between assumptions and their implementation	(2)	(2)
Actuarial gains/ (losses) resulting from changes in economic assumptions	151	(179)
Actuarial gains/ (losses) resulting from changes in ex post assumptions	63	(19)
Benefits paid	(137)	(99)
Liabilities due to defined benefits as at the end of the period	**1,353**	**1,092**

24.3. Sensitivity analysis

In accordance with IAS 19, the sensitivity of the liabilities to changes in the discount rate and salary increase assumptions is set out below. The methods and assumptions used in conducting the sensitivity analysis have not changed compared to the previous reporting period. The liability recognised in the balance sheet for the retirement and disability benefits is PLN 1,353 thousand.

	Liabilities due to retirement and disability benefits
Change of assumption	
Discount rate – decrease by 0.5 p.p.	1,399
Discount rate – increase by 0.5 p.p.	1,309
Wages increase rate – decrease by 1 p.p	1,254

(in thousands of PLN)

Wages increase rate – increase by 1 p.p	1,464

25. Trade and other liabilities

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. Interest payable is usually accounted for on the basis of accepted interest notes. Accruals cover mainly the value of construction contract costs incurred and not settled in the invoiced costs.

Trade and other liabilities are presented in the table below:

	Status as at 31 December 2023	Status as at 31 December 2022
Trade liabilities	**169,966**	**372,717**
Liabilities towards associated entities	53,266	129,994
Liabilities towards other entities	116,700	242,723
Accrued expenses	**121,876**	**126,183**
Total trade liabilities	**291,842**	**498,900**
Tax, customs, social insurance and other liabilities		
Personal income tax	1,507	1,254
PFRON (State Fund for Rehabilitation of Disabled People)	35	30
Other	3	7
Other liabilities with related parties	210	–
Tangible fixed assets purchase liabilities	934	33
Other	276	59
Total other liabilities	**2,965**	**1,383**

26. Contingent liabilities

	Status as at 31 December 2023	Status as at 31 December 2022
Contingent liabilities	**1,546,638**	**1,111,251**
- granted guarantees and warranties	1,490,297	1,052,060
- litigations	56,341	59,191

27. Information on related-party transactions

27.1. Transactions with parties related with the State Treasury

The Company is a party to 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 27.2 as transactions with other parties related through shareholders. Transactions conducted with other parties related with the State Treasury are transactions concluded under market terms.

27.2. Transactions with related parties

The transactions between related entities were conducted on terms equivalent to those that prevail in arm’s length transactions. The company does not apply collaterals to receivables from related parties. The transactions within the Capital Group are settled by means of payment of receivables or their compensation with liabilities.

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.

(in thousands of PLN)

	Year ended on 31 December 2023				Status as at 31 December 2023					
	Sales income and other operating income	Financial income	Purchases of goods and services and other operating expenses	Financial costs	Trade receivables	Other receivables	Receivables from borrowings	Trade liabilities	Other liabilities and advances	Liabilities from loans received, leasing
Subsidiaries	105,187	72,211	401,534	460	99,204	31,090	16,667	45,470	210	11,953
Other parties related through shareholders	791,069	–	25,772	2	85,389	5,702	–	7,796	114,822	6
Total	**896,256**	**72,211**	**427,306**	**462**	**184,593**	**36,792**	**16,667**	**53,266**	**115,032**	**11,959**

	Year ended on 31 December 2022				Status as at 31 December 2022					
	Sales income and other operating income	Financial income	Purchases of goods and services and other operating expenses	Financial costs	Trade receivables	Other receivables	Receivables from borrowings	Trade liabilities	Other liabilities and advances	Liabilities from loans received, leasing
Subsidiaries	52,140	47,586	409,255	107,383	42,515	74,494	22,948	128,110	85,826	12,562
Other parties related through shareholders	1,162,247	–	20,101	1	4	249	21	1,884	422	–
Total	**1,214,387**	**47,586**	**429,356**	**107,384**	**42,519**	**74,743**	**22,969**	**129,994**	**86,248**	**12,562**

(in thousands of PLN)

28. Remuneration of the Management Board and the Supervisory Board

28.1. Remuneration of the Management Board and the Supervisory Board

	Year ended on 31 December 2023	Year ended on 31 December 2022
Management Board		
Short-term employee benefits (salaries and charges)	2,862	2,683
Supervisory Board		
Short-term employee benefits (salaries and charges)	1,092	997
Total	**3,954**	**3,680**

28.2. Information about the number of shares of the Company held by the Management Board and the Supervisory Board

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

29. Employment structure

Employment in the Company at 31 December 2023 and as at on the day 31 December 2022 was as follows:

	Year ended on 31 December 2023	Year ended on 31 December 2022
Management Board	2	2
Support division	222	210
Operations division	202	193
	426	**405**

30. Goals and principles of risk management

30.1. Interest rate risk

The Company'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 Company holds cash in bank accounts. 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. As part of its sources of funding, the Company has liabilities under convertible and ordinary bonds issued. The above liabilities are based on a variable interest rate.

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 Company 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 p.p.	-0.50 p.p.
For the year ended 31 December 2023			
Cash on bank accounts	186,140	931	(931)
Borrowings granted	29,254	146	(146)
Bank guarantee deposits	625	3	(3)
Loans received	(8,850)	(44)	44
Lease liabilities*	(41,214)	(206)	206
Bonds	(103,300)	(517)	517
Impact on the gross financial result		**313**	**(313)**
Deferred tax		(59)	59
Total		**254**	**(254)**

*Included is the value of lease liabilities, excluding the value of discount and interest.

	Value exposed to risk	Increase/decrease by 0.50 p.p.	-0.50 p.p.
For the year ended 31 December 2022			
Cash on bank accounts	799,577	3,998	(3,998)
Borrowings granted	34,941	175	(175)
Bank guarantee deposits	625	3	(3)
Loans received	(8,850)	(44)	44
Bonds	(113,300)	(567)	567
Impact on the gross financial result		**3,565**	**(3,565)**
Deferred tax		(677)	677
Total		**2,888**	**(2,888)**

30.2. Foreign exchange risk

The basic method of hedging against the exchange rate risk used by the Company 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. As at 31 December 2023 the Company did not have any active derivative instruments hedging the exchange rate risk.

Fluctuations in the average EUR exchange rate, due to the recorded scale of foreign currency turnover in relation to the overall business, have a relatively limited impact on the volume of revenue/value of costs expressed in PLN. On the basis of the acquired contracts the Company estimated the exposure to the currency risk in the period January – December 2024 as follows:

Specification	2023
Forecast inflows in foreign currency – equivalent in thousands of EUR	22,388
Forecast expenses in foreign currency – equivalent in thousands of EUR	(40,814)
Business exposure to foreign exchange risk in thousands of EUR	**(18,426)**

Exposure to foreign exchange risk

	Status as at 31 December 2023 EUR	Status as at 31 December 2022 EUR
Cash and cash equivalents	34	53
Trade receivables	2,980	544
Trade liabilities	(4,951)	(32,434)
Gross carrying amount	**(1,937)**	**(31,837)**
Estimated forecast of sales	22,388	–
Estimated forecast of purchase	(40,814)	(38,480)
Gross exposure	**(18,426)**	**(38,480)**
Net exposure	**(20,363)**	**(70,317)**

(in thousands of PLN)

Foreign exchange risk sensitivity analysis as at 31 December 2023

	Carrying amount	EUR/PLN	
		Exchange rate (change 10 %)	Exchange rate (change -10 %)
Cash and cash equivalents	150	15	(15)
Trade and other receivables	12,957	1,296	(1,296)
Trade and other liabilities	(21,527)	(2,153)	2,153
Impact on the gross financial result	**(8,420)**	**(842)**	**842**
Deferred tax		160	(160)
Total		**(682)**	**682**

Foreign exchange risk sensitivity analysis as at 31 December 2022

	Carrying amount	EUR/PLN	
		Exchange rate (change 10 %)	Exchange rate (change -10 %)
Cash and cash equivalents	246	25	(25)
Trade and other receivables	2,547	255	(255)
Trade and other liabilities	(154,320)	(15,432)	15,432
Impact on the gross financial result	**(151,527)**	**(15,152)**	**15,152**
Deferred tax		2,879	(2,879)
Total		**(12,273)**	**12,273**

30.3. 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 Company has a concentration of the 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 Company estimates that it is not significantly exposed to credit risk against those recipients.

The Company has significant receivables due to the share in the profits of limited partnerships which are subsidiaries. The credit risk of these receivables is low due to the good financial results of these entities, additionally limited by a large share in the sales to the companies controlled by the State Treasury.

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 Company 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 Company 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 Company 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 Company. 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, 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 14.

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

(in thousands of PLN)

30.4. Liquidity risk

In the opinion of the Company, 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 Company is stable – the Company 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 Company conducts a wide range of activities aimed at further improvement of operating conditions, including inter alia:

- 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 on the core business;
- continuation of the process of divesting assets, in particular property and other assets that are not indispensable to continue the core business,
- acquiring new sources of debt financing and optimising terms and maturity structure of the Company's existing on- and off-balance sheet financing.

The Company's current order portfolio less sales attributable to consortium members amounts to approximately PLN 3.62 billion and includes contracts concluded or projects offered for which our bid was selected. The order portfolio in the Power Sector amounts to PLN 3.08 billion and in the Oil, Gas and Chemicals segment to PLN 0.54 billion.

The risk associated with the loss of liquidity by the Company results from the mismatch of the amounts and payment dates on the side of receivables and liabilities. In order to hedge the Company against this risk it is vital to diversify the portfolio of suppliers and recipients and to finance subcontracting projects from funds received from procuring entities.

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

Status 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
Interest-bearing loans	–	2,196	8,850	–	–	**11,046**
Leasing	–	4,839	7,019	18,694	40,339	**70,891**
Bonds	–	3,516	49,315	55,163	–	**107,994**
Trade liabilities, deposits and other liabilities	26,794	257,467	28,220	15,966	25	**328,472**
Total	**26,794**	**268,018**	**93,404**	**89,823**	**40,364**	**518,403**

Status 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
Interest-bearing loans	–	8,546	2,045	–	–	**10,591**
Leasing	–	4,278	8,131	20,149	40,441	**72,999**
Bonds	–	4,227	10,000	102,000	–	**116,227**
Trade liabilities, deposits and other liabilities	10,834	470,215	35,181	11,444	5,040	**532,714**
Total	**10,834**	**487,266**	**55,357**	**133,593**	**45,481**	**732,531**

30.5. Climate risk

The Company and the Group recognise 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 financial statements presented at 31 December 2023. A broader description of the extent of the impact of climate change on the operations of Capital 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)

31. Financial instruments

31.1. Classification of financial instruments

Financial assets	Status as at 31 December 2023 Financial assets measured at amortised cost	Status as at 31 December 2022 Financial assets measured at amortised cost
Other financial assets	17,188	23,352
Deposits due to the construction contracts	53,771	44,159
Trade receivables	274,711	124,324
Cash and cash equivalents	186,140	799,577

Financial liabilities	Status as at 31 December 2023 Financial liabilities measured at amortised cost	Status as at 31 December 2022 Financial liabilities measured at amortised cost
Loans and other external sources of financing	52,249	54,348
Other liabilities (long-term)	–	3
Deposits due to the construction contracts	34,061	30,406
Trade liabilities	291,842	498,900
Bonds	103,260	111,867

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

Year ended on 31 December 2023:

	Interest income / (costs)	Profits / (losses) due to exchange differences	Dividends	Income / (costs) due to participation in the profits of limited partnerships	Other	Total
Financial assets						
Financial assets measured at amortised cost	16,654	(619)	55,516	12,983	1,202	**85,736**
Financial liabilities						
Financial liabilities measured at amortised cost	(14,625)	821	–	–	(157)	**(13,961)**
Total	**2,029**	**202**	**55,516**	**12,983**	**1,045**	**71,775**

Year ended on 31 December 2022

	Interest income / (costs)	Profits / (losses) due to exchange differences	Dividends	Income / (costs) due to participation in the profits of limited partnerships	Other	Total
Financial assets						
Financial assets measured at amortised cost	15,156	–	9,166	36,721	(1,937)	**59,106**

(in thousands of PLN)

Financial liabilities						
Financial liabilities measured at amortised cost	(14,881)	1,779	–	–	2,695	**(10,407)**
Total	**275**	**1,779**	**9,166**	**36,721**	**758**	**48,699**

32. 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.

33. Capital management

The main objective of the Company's capital management is to maintain liquidity adequate to the scale and specificity of its activities and safe capital ratios that support the operational activity of the Company and ultimately increase its value for the Company's shareholders.

The externally imposed capital requirements for the value of the equity have been imposed on Company. The Company had added capital throughout the year 2023.

The Company monitors its capital position and structure using the leverage ratio, which is calculated as the ratio of net debt to total capital plus net debt. The Company 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
Loans, leases and bonds	155,509	166,215
Trade and other liabilities	294,807	500,283
Minus cash and cash equivalents	186,140	799,577
Net debt	**264,176**	**(133,079)**
Equity	756,443	834,621
Equity and net debt	**1,020,619**	**701,542**
Leverage ratio (net debt / capital and net debt)	26%	(19%)

34. 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.

35. 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	