POLIMEX MOSTOSTAL CAPITAL GROUP

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT

Polimex Mostostal

GRUPA KAPITAŁOWA

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(in PLN thousand)

Consolidated profit and loss account

	Note	Year ended 31 December 2021	Year ended 31 December 2020
Sales revenues	7.1	2,304,000	1,615,320
Cost of goods sold	7.9	(2,092,109)	(1,434,197)
Gross profit / (loss) on sales		**211,891**	**181,123**
Cost of sales		(26,576)	(21,035)
General administrative expenses		(74,092)	(70,374)
Profit / (loss) on impairment of financial assets		(14,818)	(15,009)
Other operating revenues	7.5	42,845	25,945
Other operating costs	7.6	(11,746)	(11,118)
Profit /(loss) on operating activities		**127,504**	**89,532**
Financial income	7.7	1,913	18,132
Financial costs	7.8	(22,091)	(29,050)
Share in the profit of an associated entity		112	367
Gross profit / (loss)		**107,438**	**78,981**
Income tax	8	(20,413)	(15,771)
Net profit /(loss)		**87,025**	**63,210**
Net profit / (loss) attributable to:			
- shareholders of the parent company		89,990	66,226
- non-controlling interest		(2,965)	(3,016)
Earnings per share attributable to shareholders of the parent company (in PLN per share)			
- basic earnings per share	9	0.380	0.280
- diluted earnings per share	9	0.334	0.277

Consolidated statement of comprehensive income

	Year ended 31 December 2021	Year ended 31 December 2020
Net profit /(loss)	**87,025**	**63,210**
tems that will not be allocated in the later periods to the profit and loss account:		
Change from revaluation of tangible fixed assets	9,756	(308)
Actuarial profit / (loss)	1,845	(511)
Items that may be allocated in the later periods to the profit and loss account:		
Foreign exchange differences on translation of foreign entity	9,484	(4,349)
Other net comprehensive income	**21,085**	**(5,168)**
Total comprehensive income	**108,110**	**58,042**
Attributable to:		
- shareholders of the parent company	110,609	61,058
- non-controlling interest	(2,499)	(3,016)

(in PLN thousand)

Consolidated balance sheet

	Note	As at 31 December 2021	As at 31 December 2020*
Assets			
Fixed assets			
Tangible fixed assets	11	424,811	405,316
Investment properties	12	21,761	14,576
Goodwill on consolidation	13	91,220	91,220
Intangible assets		3,498	2,574
Investments in associated entities measured in accordance with the equity method	14	2,768	2,786
Financial assets		1,741	694
Long-term receivables		1,028	1,236
Deposits due to the construction contracts		51,680	43,769
Deferred tax assets	8.2	155,585	170,267
Other long-term assets		9,174	5,951
Total fixed assets		**763,266**	**738,389**
Current assets			
Inventories	15	187,570	99,313
Trade receivables	16	374,326	516,493
Deposits due to the construction contracts		28,966	46,843
Construction contracts assets	18	64,995	112,055
Other receivables		38,928	23,731
Financial assets		514	2,754
Other assets		7,964	4,832
Cash and cash equivalents	19	883,530	367,754
Total current assets		**1,586,793**	**1,173,775**
Assets held for sale	21	**36,838**	**26,890**
Total assets		**2,386,897**	**1,939,054**

**Restated figures, changes described in note 3.4.*

(in PLN thousand)

Consolidated balance sheet (cont'd)

	Note	Asat 31 December 2021	As at 31 December 2020* (as amended)
Liabilities and equity			
Equity			
Share capital	22.1	473,238	473,238
Reserve capital	22.2	211,474	157,746
Unregistered share issue		2,500	-
Reserve capital from surplus of bonds convertible into shares	22.4	5,892	6,071
Accumulated other comprehensive income	22.5	106,055	85,436
Retained earnings / Uncovered losses		102,071	65,276
Non-controlling interest		-	354
Total equity		**901,230**	**788,121**
Long-term liabilities			
Bank loans, borrowings and other external sources of financing	23	85,815	25,743
Long-term bonds	24	105,542	113,364
Provisions	26	26,381	22,716
Employee benefit liabilities	27	19,686	21,429
Other liabilities		4,865	6,392
Deposits due to the construction contracts		26,069	26,063
Deferred tax liabilities	8.2	3,021	1,610
Total long-term liabilities		**271,379**	**217,317**
Short-term liabilities			
Bank loans, borrowings and other external sources of financing	23	29,884	66,428
Short-term bonds	24	10,000	13,484
Trade liabilities	28	543,787	363,042
Deposits due to the construction contracts		37,210	46,739
Construction contracts liabilities	18	443,437	290,240
Other liabilities	28	25,706	33,818
Income tax liabilities		299	305
Provisions	26	18,022	29,665
Employee benefit liabilities	27	104,838	88,063
Deferred income		1,105	1,832
Total short-term liabilities		**1,214,288**	**933,616**
Total liabilities		**1,485,667**	**1,150,933**
Total liabilities and equity		**2,386,897**	**1,939,054**

**Restated figures, changes described in note 3.4.*

(in PLN thousand)

Consolidated cash flow statement

	Note	Year ended 31 December 2021	Year ended 31 December 2020
Cash flows from operating activities			
Gross profit/(loss)		**107,438**	**78,981**
Adjustments for items:		**438,016**	**100,265**
Share in the results of associates measured with the equity method		(112)	(367)
Depreciation		36,856	37,344
Net interest and dividends		10,229	23,100
Profit / (loss) on investing activities		(15,420)	1,588
Change in receivables	20	207,146	(196,548)
Change in inventories		(86,649)	1,502
Change in liabilities excluding bank loans and borrowings	20	313,858	294,713
Change in other assets and deferred income		(7,180)	(3,020)
Change in provisions		(10,259)	(39,781)
Income tax paid		(11,835)	(16,285)
Other		1,382	(1,981)
Net cash from operating activities		**545,454**	**179,246**
Cash flows from investing activities			
Disposal of tangible and intangible fixed assets		3,013	11,608
Purchase of tangible and intangible fixed assets		(19,584)	(11,716)
Expenses related to obtaining control over a subsidiary		(362)	-
Purchase of financial assets		-	(266)
Disposal of financial assets		7,258	135
Dividends and interest received		44	-
Granting of loans		(12)	-
Net cash from investing activities		**(9,643)**	**(239)**
Cash flows from financing activities			
Lease payments		(10,333)	(10,197)
Proceeds from bank loans, borrowings		68,547	76,945
Repayment of bank loans, borrowings		(62,915)	(71,402)
Repayment of bonds		(9,156)	(32,054)
Interest paid		(6,392)	(59,558)
Other		214	-
Net cash from financing activities		**(20,035)**	**(96,266)**
Net increase/(decrease) in cash and cash equivalents		515,776	82,741
Cash and cash equivalents at the beginning of the period	19	**367,754**	**285,013**
Cash and cash equivalents at the end of the period	19	**883,530**	**367,754**
Cash recognized in the consolidated cash flow statement		**883,530**	**367,754**
- including restricted cash		350,351	124,480

(in PLN thousand)

Consolidated statement of changes in equityequity

	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	Minority interest	Total equity
					Revaluation reserve	Actuarial profit / (loss)	Foreign exchange differences on translation of foreign equity				
As at 1 January 2021	**473,238**	**157,746**	**-**	**6,071**	**111,822**	**(4 ,559)**	**(21 ,827)**	**65,276**	**787,767**	**354**	**788,121**
Net profit / (loss) for the period	-	-	-	-	-	-	-	89,990	89,990	(2 ,965)	87,025
Other net comprehensive income	-	-	-	-	9,294	1,841	9,484	-	20,619	466	21,085
Total comprehensive income	**-**	**-**	**-**	**-**	**9,294**	**1,841**	**9,484**	**89,990**	**110,609**	**(2,499)**	**108,110**
Distribution of net profit	-	23,765	-	-	-	-	-	(23,765)	-	-	-
Distribution of retained earnings	-	29,784	-	-	-	-	-	(29,784)	-	-	-
Conversion of bonds into shares	-	179	2,500	(179)	-	-	-	-	2,500	-	2,500
Recognition of the valuation of the put option held by minority shareholders	-	-	-	-	-	-	-	-	-	2,499	2,499
Sale of a foreign subsidiary	-	-	-	-	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-	354	354	(354)	-
As at 31 December 2021	**473,238**	**211,474**	**2,500**	**5,892**	**121,116**	**(2,718)**	**(12,342)**	**102,071**	**901,230**	**-**	**901,230**

Consolidated statement of changes in equity (continued)

(in PLN thousand)

	Share capital	Reserve capital	Reserve capital from surplus of bonds convertible into shares	Accumulated other comprehensive income			Retained earnings / Uncovered losses	Total	Minority interest	Total equity
				Revaluation reserve	Actuarial profit / (loss)	Foreign exchange differences on translation of foreign equity				
As atf 1 January 2020*	**473,238**	**157,746**	**31,552**	**119,271**	**(4,048)**	**(17,478)**	**(28,185)**	**732,096**	**354**	**732,450**
Net profit / (loss) for the period	-	-	-	-	-	-	66,226	66,226	(3,016)	63,210
Other net comprehensive income	-	-	-	(308)	(511)	(4,349)	-	(5,168)	-	(5,168)
Total comprehensive income	**-**	**-**	**-**	**(308)**	**(511)**	**(4,349)**	**66,226**	**61,058**	**(3,016)**	**58,042**
Recognition of the valuation of the put option held by minority shareholders	-	-	-	-	-	-	-	-	3,016	3,016
Transfer of revaluation surplus of tangible fixed assets due to their sale	-	-	-	(7,141)	-	-	7,141	-	-	-
Change in taxation rules for limited partnerships	-	-	-	-	-	-	(2,548)	(2,548)	-	(2,548)
Material change in terms of issue of bonds containing an equity component - settlement of expiring issue	-	-	(29,734)	-	-	-	28,056	(1,678)	-	(1,678)
Material change in the terms ofissue of bondscontaining equity component - recognition of the new terms	-	-	5,678	-	-	-	-	5,678	-	5,678
Deferred tax on the equity componentof series C bonds	-	-	(1,425)	-	-	-	-	(1,425)	-	(1,425)
Deferred tax on the equity component of the original issue of series A and B bonds	-	-	-	-	-	-	(5,414)	(5,414)	-	(5,414)
As at 31 December 2020	**473,238**	**157,746**	**6,071**	**111,822**	**(4,559)**	**(21,827)**	**65,276**	**787,767**	**354**	**788,121**

***For restated figures, see note 3.4.**

(in PLN thousand)

Notes to the consolidated financial statements as at 31 December 2021.

1. General information

Polimex Mostostal Capital Group (”the Group”) consists of the parent company Polimex Mostostal S.A. ("Parent", "Company", "Issuer") and its subsidiaries and associates. The Group's consolidated financial statements cover the year ended 31 December 2021 and include comparative figures for the year ended 31 December 2020.

Polimex Mostostal Joint Stock Company operates based on the articles of association established by a notarial deed on 18 May 1993 (Rep. A No. 4056/93) as amended. The Company's seat is located in Warsaw at Al. Jana Pawła II 12, 00-124 Warsaw, Poland. The company was registered by the District Court for the Capital City of Warsaw. The Company is registered with the District Court for the capital city of Warsaw in Warsaw, 12th Commercial Division of the National Court Register under KRS No. 0000022460. Polimex Mostostal S.A. was assigned statistical REGON number 710252031. There were no changes in the name of the reporting entity or other identifying information during the period.

The duration of the Parent Company and the entities comprising the Group is indefinite. The financial statements of all consolidated subsidiaries have been prepared for the same reporting period as the Parent Company's financial statements, using consistent accounting policies. In the case of associates and subsidiaries that apply different accounting policies, for the purposes of consolidation, the financial data have been restated to conform to the policies applied by the Group.

The financial year of the Parent Company and the Group companies is the calendar year.

The Parent Company's core business is broadly defined construction and assembly services provided under the general contracting system in Poland and abroad and the provision of administrative services to Group companies. The Group's activities include construction and assembly work, assembly of industrial equipment and installations, production. Polimex Mostostal S.A. and the Group operate in the following segments: Manufacturing, Industrial construction, Power Sector, Infrastructure construction and Oil, gas, chemical. The main place of business is Poland.

Parent company shares: Polimex Mostostal S.A. are listed on the Warsaw Stock Exchange.

1.1. Composition of the Group and description of changes in the Group's structure

At 31 December 2021 and 31 December 2020, the following subsidiaries and associates were consolidated:

Lp.	Unit	Headquarters	Scope of activity	[%] share Status as of 31 December 2021	2020
Subsidiaries				(%)	(%)
1	Polimex Energetyka Sp. z o.o.	Warsaw	Execution of construction works	100	100
2	Naftoremont-Naftobudowa Sp. z o.o.	Plock	Execution of construction works	100	100
3	Polimex Opole Sp. z o.o. Sp. k.	Warsaw	Execution of construction works	100	100
4	Mostostal Siedlce Sp. z o.o. Sp. k.	Siedlce	Manufacture of metal products	100	100
5	Stalfa Sp. z o.o.	Sokołów Podlaski	Manufacture of metal products	100	100
6	Polimex Mostostal ZUT Sp. z o.o.	Siedlce	Technical services	100	100
7	Polimex Mostostal Ukraine	Zhytomyr - Ukraine	Manufacture of metal structures	-	100
8	Chervonogradsky Steel Construction Plant	Chervonograd-Ukraine	Manufacture of metal structures	100	100
9	Polimex Mostostal Wschód	Moscow, Russia	Distribution of metal products	100	100
10	Polimex Centrum Usług Wspólnych Sp. z o.o. in liquidation	Warsaw	Does not carry out activities	100	100
11	Polimex Budownictwo Sp. z o.o.	Siedlce	Industrial construction	100	100
12	Polimex Budownictwo Sp. z o.o. Sp. k.	Siedlce	Industrial construction	100	100

(in PLN thousand)

13	Polimex Operator Sp. z o.o. Sp. k.	Warsaw	Renting, leasing, construction machinery and equipment	100	100
14	Polimex Infrastruktura Sp. z o.o.	Warsaw	Construction work for roads and motorways	100	100
15	BR Development Sp. z o.o. in liquidation	Warsaw	Does not carry out activities	-	100
16	Polimex-Development Inwestycje Sp. z o.o. in liquidation	Warsaw	Does not carry out activities	100	100
17	Polimex-Development Inwestycje Sp. z o.o. Tatarska Apartments S.K.A. in liquidation	Krakow	Does not carry out activities	-	100
18	Instal Lublin S.A.	Lublin	Specialised construction services	100	-
19	Energomontaż-Północ Bełchatów Sp. z o.o.	Rogowiec	Specialised construction and assembly services	54.95	54.95
Associated companies					
20	Finow Polska Sp. z o.o.	Ostrowiec Świętokrzyski	Specialised construction and assembly services	24.95	24.95

The Parent Company has control over fully consolidated subsidiaries, this control results from the fact that the Parent Company holds majority stakes in the subsidiaries and has the ability to direct the activities of these entities. Subsidiaries excluded from consolidation are entities in liquidation, restructuring, in which at the same time the Parent does not have control, or entities immaterial from the point of view of consolidation in the Group. The materiality threshold for excluding a subsidiary from consolidation is determined by the ratio of the assets of the analysed entity to the Group's balance sheet total and by the share of the analysed entity's sales revenue in the Group's sales revenue.

The Company has significant influence in its associate Finow Polska Sp. z o.o. due to its ownership of over 20% of shares and the ability to appoint one member of the Supervisory Board.

During 2021 there were the following changes in the Group's structure:

- On 31 March 2021, the liquidation of BR Development Sp. z o.o. in liquidation was completed. The parent company was the sole shareholder of this company.
- On 3 November 2021, a transaction was finalised for the sale of shares in Polimex Mostostal Ukraine for a price of EUR 1,600 thousand. Euro. As a result of the transaction, the parent company made a profit on the sale in the amount of PLN 166 thousand. In these statements, the Group also recognised a gain on deconsolidation of the company sold in the amount of PLN 95 thousand and transferred unsettled foreign exchange losses of PLN 6,847 thousand to the income statement. The parent company was the sole shareholder of this company.
- On 30 November 2021, the liquidation process of Polimex-Development Inwestycje Spółka z ograniczoną odpowiedzialnością Apartamenty Tatarska Spółka komandytowo-akcyjna in liquidation was completed. The Parent Company was a limited partner in this company and held 99% of the share capital.
- Taking control over Instal Lublin S.A.
  On 1 April 2021 Polimex Mostostal S.A. acquired a block of shares in Instal Lublin S.A., corresponding to 100% of the share capital and giving 100% of the votes at the shareholders' meeting, for a price of PLN 1,217 thousand (total consideration, including cash, equal to fair value). As a result of the transaction Polimex Mostostal took control over Instal Lublin S.A. The Group recognised a bargain purchase gain of PLN 10,876 thousand (presented in other operating revenue). The settlement of the acquisition of control transaction has been completed and recognised in full in the interim consolidated financial statements for the six months ended 30 June 2021. The value of property, plant and equipment included in the audit was determined to fair value based on an appraisal report. For buildings and structures the valuation was prepared using the income approach, investment method, simple capitalisation technique. For other items of property, plant and equipment, the valuation was prepared using a mixed approach, using in particular information on the prices of the valued machinery in new condition, current wear and tear, modernity and demand and supply of these movables. No material differences were identified for the other assets under control. The liability components of the assets acquired were measured at fair value. The gross value of acquired trade and

other receivables amounts to PLN 19,133 thousand, the value of the revaluation allowance relating to these receivables amounts to PLN 6,151 thousand. The value of revenues and profits realised by the acquired entity from the date of taking control, recognised in the consolidated financial statements, amounted to PLN 11 284 thousand (revenues) and PLN 928 thousand (net loss) respectively. Revenues and profit of Instal Lublin S.A. calculated as if the date of acquisition was the beginning of the annual reporting period amounted to respectively: pLN 16,776 thousand and loss: pLN 1 294 thousand.

As a result of the transaction, the Group obtained control over assets and liabilities in the amounts presented below:

Fixed assets		**Long-term liabilities**	
Tangible fixed assets	11,249	Bank loans, borrowings and lease liabilities	2,168
Investment properties	11,031	Provisions	498
Intangible assets	64	Deferred tax liability	3,154
Deferred tax assets	1,508		
Total fixed assets	**23,852**	**Total long-term liabilities**	**5,820**
Current assets		**Short-term liabilities**	
Inventories	220	Bank loans, borrowings and lease liabilities	6,351
Trade receivables	12,513	Trade payables	11,806
Other receivables	1,338	Other liabilities	1,032
Cash and cash equivalents	1,132	Provisions	1,783
Total current assets	**15,203**	**Total short-term liabilities**	**20,972**
Total assets	**39,055**	**Total liabilities**	**26,792**
		Net assets	**12,263**

1.2. Currency functional and reporting currency

Items included in the financial statements of individual Group entities are measured in the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Polish zloty (PLN), which is the Group's presentation currency. Figures in the consolidated financial statements are shown in thousands of Polish zloty, unless in specific situations they are given with greater accuracy.

2. Approval of the accounts

On 22 April 2022, the consolidated financial statements of Polimex Mostostal Capital Group for the year ended 31 December 2021 were approved for publication by the Management Board of the Parent Company.

The consolidated financial statements of Polimex Mostostal Capital Group and the financial statements of the Parent Company are audited by a certified auditor, Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością spółka komandytowa.

3. Applied International Financial Reporting Standards platform

3.1. Statement of compliance

These consolidated financial statements have been prepared on the basis of International Financial Reporting Standards ("IFRS") and related interpretations promulgated as regulations of the European Commission.

Certain Group entities maintain their accounting books in accordance with the accounting policy (principles) set out in the Accounting Act of 29 September 1994 (the "Act") as amended and the regulations issued thereunder. The consolidated financial statements include adjustments not included in the books of account of Group entities made to bring the financial statements of those entities into conformity with IFRS.

3.2. Continuation of activities

These consolidated financial statements have been prepared on the assumption that the consolidated Group companies will continue as a going concern for the foreseeable future. As at the date of approval of these financial statements, there are no circumstances indicating that there is a threat to the continuity of operations of the Group companies included in the consolidation, with the exception of companies in liquidation.

The management of the parent company Polimex Mostostal S.A. has conducted an analysis of the impact of the SARS-CoV-2 virus outbreak on the Group's financial statements for 2021.

- The Contractor (Consortium) followed the work schedule aiming to complete the Żerań Project on November 20, 2020 according to the contractual requirements, however the implementation of the programme was prevented by the outbreak of the COVID-19 pandemic and drastic restrictions introduced by the Polish legislator and in the legislations of other countries introducing anti-crisis regulations. Consequently, as a result of changes in the law, it became impossible to mobilise a sufficient number of workers from Belarus and Ukraine to meet the repair schedule and, due to the complete loss of generation capacity by the two largest Polish companies in the electrical sector, Elektrobudowa and Elsta - coinciding with the closure of Poland's borders - it became impossible to restore the lost resources efficiently. As a result, the electrical works belonging to a participant in the consortium - which lie on the main critical path of the project, on the completion of which the date for the first firing of the gas turbine directly depended - were carried out during the initial period of the pandemic by only 15% of the necessary number of workers. On 7 October 2020, the Contractor submitted a claim to the Contracting Authority "Claim for extension of the Contract period and change in the Contract price due to changes in law introduced to counter COVID-19" concerning the impact of the COVID-19 outbreak on the Contract completion date and the Contract price due to the extension of the completion date caused by the reduced availability of subcontractor personnel and loss of their productivity, in particular due to the introduction of new legislation constituting a change in law within the meaning of the Contract. On 29 April 2021, an Agreement was signed, constituting Annex No. 7 to the Contract, by virtue of which the period of the Contract execution was extended and the date of taking over the Block for operation was determined as 30 September 2021, provided that guarantee measurements of the Guaranteed Technical Parameters of Group B will be carried out by 31 December 2021. In addition, the Contract Price was increased by a total of PLN 47 million net, of which the Group received PLN 13 million net. The deadline for taking over the Block for operation was not met. On 27 October 2021, Annex No. 8 to the Contract was signed, regulating the principles of conducting the Regulatory Traffic together with the Trial Traffic and shifting the guarantee measurements of the Guaranteed Technical Parameters of Group A from the Regulatory Traffic to the Trial Traffic. On 6 December 2021 the Block was taken into operation by the Contracting Authority and on the same day Annex 9 to the Contract was signed, regulating the manner and timing of the Contractor's obligations remaining to be performed after the date of signing the PAC. At the same time, the Parties declared that they would conduct negotiations in good faith until 31 March 2022 concerning a dispute on the level of the Contractor's liability for exceeding the time limit specified in Annex No. 7 for signing the Block Take-Over Protocol, and until this date they would refrain from enforcing any claims.

  On 20 January 2022, the Ordering Party informed the Contractor of its claim for a contractual penalty for the Consortium's delay for (i) failure to meet Milestone No. 22 (MC No. 22) and for (ii) a contractual penalty for the Consortium's delay for failure to meet the Block Acceptance for Commissioning (PAC) deadline, which started a negotiation process between the Parties, during which the Parties exchanged correspondence and held explanatory meetings.

  On 14 April 2022, the Ordering Party sent the Contractor debit notes covering the contractual penalties indicated above. In the opinion of Polimex Mostostal S.A., the contractual penalty encumbers Polimex Mostostal S.A. with its liability in the amount not exceeding the amount of PLN 3.6 million due to failure to meet the deadline for MC No. 22 implementation, while in the remaining scope the liability is encumbered with other participants of the Consortium, i.e. companies from Mitsubishi Power Group.

  In view of the prerequisites, in the Consortium's opinion, for the penalties to be reduced, the Consortium will apply to the Court of Arbitration at the Polish Public Prosecutor's Office for mediation, which should bring the parties closer to negotiating a compromise and concluding a settlement before the Court of Arbitration at the Polish Public Prosecutor's Office.

- During the implementation of the Pulawy Project, there were adverse effects of a Force Majeure event involving the spread of the SARS-CoV-2 coronavirus outbreak. In connection with illnesses among the employees of both the Company and its subcontractors and absences of employees resulting from the legal obligation to isolate and quarantine people who had contact with those in whom the virus was detected, on the one hand, the management of the Project was significantly hampered, and on the other hand, the design process suffered permanent delays (appearance of illnesses of key employees of the General Designer in practice from the beginning of the pandemic with further intensification during its course), which delays negatively affect the possibility of performing works included in the scope of the Puławy Project. Also key subcontractors (in particular: Siemens - turbine-generator and Mitsubishi - FGD, SCR installation) due to the SARS-CoV-2 outbreak reported delays in the procurement of materials, equipment and services, which resulted in the untimely execution of the already concluded subcontracts for the Project, as well as the impossibility of concluding new contracts with completion dates compatible with the needs of the Project. In the wake of the global COVID-19 outbreak:
  a) there were restrictions on communication with counterparties - the possibility of any negotiation meetings was significantly reduced by our counterparties. The only options left were teleconferencing and videoconferencing, which, bearing in mind both the above-standard requirements of the Ordering Party in the Main Contract, were unfortunately not as efficient as meetings and in practice significantly prolonged the process of selecting a suitable subcontractor;
  b) a significant number of potential contractors were not able to guarantee rigid completion dates and remuneration amounts in the contract, as well as certain technical issues;
  c) a significant number of potential subcontractors requested that the contracts include mechanisms that directly relativise their responsibility in terms of deadlines, delivery prices and certain technical issues, which on the one hand were very unfavourable to the Contractor and on the other were not reflected in the provisions of the Main Contract;
  d) the high number of illnesses, the high number of compulsory absences related to coronavirus, as well as many employees working remotely or receiving care allowances due to pandemic-related legislation (to provide childcare due to the closure of schools and kindergartens), limited the possibility of proper implementation of the Contract;
  e) the unpredictable and rapid increase in the prices of construction materials, as well as the problem with their availability, affected the execution of the Contract;
  f) there has been a lack of resources of subcontracted forces, in particular for civil works.

  The Company repeatedly informed the Contracting Authority about all these phenomena, as well as reported to the Contracting Authority every case of illness, isolation and quarantine of its own personnel, the General Designer's designers and employees of subcontractors directly performing work for the Contract (over 90 letters sent to the Contracting Authority) and presented to the Contracting Authority in Monthly Reports delays in implementation of particular scopes of work, which were increasing due to COVID-19.

  As a result of the detailed analysis of the impact of the COVID-19 pandemic on the implementation of the Pulawy Project, on November 18, 2021 The Company submitted to the Ordering Party a request to amend the Contract - to extend the Contract completion date by 223 days, i.e. until June 3, 2023 and to increase the current remuneration by the amount of PLN 35,757 thousand net (this amount includes only the cost of the extended stay of the Company's supervision on the Construction Site and does not include e.g. possible claims of subcontractors and further subcontractors, related to the extension of the Contract completion period, increase in prices of construction materials and services and changes in exchange rates, etc.).

  The Ordering Party, by letter dated 30 December 2021, refused to accept the Company's request for an increase in remuneration and requested that the request for an extension of the Contract completion date be supplemented.

  On 18 January 2022, a meeting was held between the Company and the Ordering Party, at which the Parties presented their expectations and as a result of which, the Company, in a letter dated 28 February 2022 addressed to the Ordering Party, addressed all questions and comments of the Ordering Party, as well as included more detailed argumentation regarding the extension of the execution of the Contract and reimbursement of costs resulting from this extension.

The Company is currently awaiting the position of the Ordering Party. It should be emphasised that all the estimates on which the Company has based its conclusion referred to above relate to the effects of COVID-19 as at 31 December 2021, and given that the outbreak is still ongoing, albeit the scale of the disease has now reduced, the possibility of further adverse effects on the Pulawy Project cannot be ruled out.

- At the Dolna Odra project, work on the preparation of the Execution Projects continued in accordance with the project schedule. The main deliveries of technological equipment, steel structures and other construction materials continue, the delivery of the recovery boiler for Unit 9 and in March 2022 for Unit 10 has been completed.

  The global COVID-19 pandemic is causing disruption to the Project, mainly the deliverable elements of the contract are at risk of delay. Deliveries of recovery boilers Nos. 9 and 10 have been delayed and further deliveries of gas and steam turbines may not be completed on time, which may delay completion of the assembly work. The situation is constantly evolving, so it is currently too early to make a definitive assessment of the total impact of the COVID-19 pandemic on project implementation.

  The main construction works are continuing, the installation of cable routes and general construction installations in the electrical building of block 9 is in progress, as well as work on grounding the underground parts for cooling water pipelines and the foundation part of the facilities under construction. The installation of cooling water pipelines, assembly of steel structures, crane beams and engine room platforms as well as construction and assembly works in the buildings of the feed pumping station, boiler house, electrical buildings, compressor room, SUW, SPG, control room of blocks 9 and 10 are also in progress. In the mechanical field, assembly tasks are underway for the condenser, the chimney, the HRSG boiler, the inlet duct. The General Contractor carries out ongoing schedule updates, organises numerous industry meetings, as well as with UDT and the transmission grid operator PSE. Thirteen Implementation Phases have currently been completed and invoiced, including ten Implementation Phases by the end of 2021. The impact of the outbreak on the procurement process is monitored, particularly for deliverable items that are at risk of being delayed.
- On the Opole contract, work is being carried out on an ongoing basis to support the guarantee period.
- Within the manufacturing segment, the main negative impact in macro terms is the increase in raw material prices on global markets. In particular, manufacturing activities based on steel and zinc composites are facing unprecedented upward price dynamics. At the beginning of 2020, steel orders fell as the first pandemic-related restrictions emerged in Europe. Steelworks reduced production, which involved, among other things, extinguishing furnaces. In the second half of 2020, demand for steel increased dynamically, but due to reduced production capacity, steel mills were unable to fulfil orders. Nor was it possible to make up the shortfall in the European market with supplies from China or Turkey. As a result, demand currently far exceeds supply, resulting in a dynamic increase in sheet metal prices. Despite the measures taken to increase the prices of end products of steel products, the significant increase in the prices of basic materials resulted in a decrease in the margins obtained on the products offered. At the moment, the situation in the steel market has become even more complicated due to Russia's aggression against Ukraine, from where significant supplies of steel originated. It is therefore difficult to forecast what the situation in the steel and zinc market will be in 2022.
- There were no significant delays in the Group's other contracts. In a few cases, the Group has been notified of the suspension of planned work by the ordering party, but these are contracts of lower materiality from the Group's point of view. Although at this stage in the Group's opinion no risks in the form of delays in project implementation materialise, the ordering parties are informed of the occurrence of force majeure.
- Liquidity Group is fully protected. The epidemic did not contribute to significant delays on the payment side from the Group's counterparties. We currently see no material basis for adjusting the expected cash flows. The credit risk of receivable balances has not increased significantly. In December 2020, the Group completed work on changing its financing structure, in particular it made an early repayment of bank financial debt and implemented changes to the terms and conditions of bond issues optimising the terms of this financing. In 2021. The Group significantly increased the value of available sources for obtaining bank and insurance guarantees for the purpose of financing the

implemented contracts and optimised the conditions of balance sheet financing (new financing of the subsidiary Mostostal Siedlce Sp. z o.o. Sp.k.). These measures have a positive impact on minimising the Group's liquidity risk in the current and future periods.

- The Group operates in a number of geographic markets and market segments. This reduces the risk of over-concentration of activity in areas that may be particularly affected by an epidemic. The Group has a secured order book diversified geographically and also by segment.

The management of Polimex Mostostal believes that the outbreak of the SARS-CoV-2 virus does not impinge on the need to make adjustments to the 2021 financial statements. Any impact that the epidemic will have during 2022 will be appropriately mapped in the 2022 financial statements.

Information on the outbreak of war in Ukraine as a result of the Russian invasion and the impact on the Company's situation is set out in note 39.

3.3. Impact of new and amended standards and interpretations

In preparing the 2021 financial statements, the Group has applied the following standards for the first time:

- Amendment to IFRS 16 Leases: Rent concessions related to Covid-19;
- Amendments to IFRS 4 *Insurance contracts* - deferral of IFRS 9;
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Reform of reference interest rate indices - Phase 2.

The aforementioned standards do not have a material impact on the financial statements.

IFRS as endorsed by the EU does not currently differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), with the exception of the following interpretations and standards which, as at 22 April 2022, have not yet been adopted for use:

- IFRS 14 Regulatory accruals (published on 30 January 2014) - in accordance with the decision of the European Commission, the process of approval of the standard in the preliminary version will not be initiated before the standard in the final version is published - not approved by the EU until the date of publication of these financial statements - applicable to annual periods beginning on or after 1 January 2016;
- Amendments to IFRS 10 and IAS 28 Transactions involving the 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 deferred indefinitely by the IASB;
- IFRS 17 Insurance Contracts (published on 18 May 2017) - not endorsed by the EU as at the date of publication of these financial statements - applicable to annual periods beginning on or after 1 January 2023;
- Amendments to IAS 1 Presentation of Financial Statements: Division of liabilities into current and non-current deferred effective date (published on 23 January 2020 and 15 July 2020 respectively) - not endorsed by the EU until the date of approval of these financial statements - effective for annual periods beginning on or after 1 January 2023;
- Amendments to IFRS 3 Amendments to References to Conceptual Assumptions (published on 14 May 2020) - applicable to annual periods beginning on or after 1 January 2022;
- Amendments to IAS 16 Property, plant and equipment: income earned before use (published on 14 May 2020) - applicable to annual periods beginning on or after 1 January 2022;
- Amendments to IAS 37 Burdensome contracts - Costs of meeting contractual obligations (published on 14 May 2020) - applicable to annual periods beginning on or after 1 January 2022;
- Amendments arising from the revision of IFRS 2018-2020 (published on 14 May 2020) - applicable to annual periods beginning on or after 1 January 2022;
- Amendments to IAS 1 and Practice Position 2: Disclosure of accounting policies (published on 12 February 2021) - not endorsed by the EU as at the date of approval of these financial statements - applicable to annual periods beginning on or after 1 January 2023;
- Amendments to IAS 8: Definition of Estimates (published on 12 February 2021) - not endorsed by the EU up to the date of approval of these financial statements - applicable to annual periods beginning on or after 1 January 2023;

(in PLN thousand)

- Amendments to IAS 12: Deferred tax on assets and liabilities arising from a single transaction (published on 7 May 2021) - not endorsed by the EU until the date of approval of these financial statements - applicable to annual periods beginning on or after 1 January 2023;
- Amendments to IFRS 17 Insurance Contracts: First-time adoption of IFRS 17 and IFRS 9 - Comparative Information (published on 9 December 2021) - not endorsed by the EU as at the date of approval of these financial statements - applicable to annual periods beginning on or after 1 January 2023;

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

3.4. Changes in accounting policies and preparation of financial statements

The Group has changed the presentation of advances given for future purchases of inventory in the balance sheet. To date, the Group has presented advances for the delivery of inventories as an element of inventory. From this report onwards, advances on inventories in the balance sheet are presented in the other receivables line. The presentation of these advances as described above, in the Group's opinion, will result in the financial statements containing more reliable and useful information about the impact of these transactions on the financial position. The change in presentation principles has no impact on equity items or profit or loss.

The table below shows the impact of the presentation changes on the comparative figures in the balance sheet:

	As at 31 December 2020 (before amendment)	Change of presentation	As at 31 December 2020 (as amended)
Current assets			
Inventories	103,419	(4,106)	99,313
Other receivables	19,625	4,106	23,731

The Group has changed the presentation of Other capital in the balance sheet in these consolidated financial statements. These were presented as part of the Retained Profits line. The Parent Company believes that this presentation will better reflect the changes in the Group's capitals, as the Other capitals item included capitals from profits made and retained in previous years.

The table below shows the impact of the presentation changes on the comparative figures:

	As at 31 December 2020 (before amendment)	Change of presentation	As atof 31 December 2020 (as amended)
Total equity			
Other capital	322,041	(322,041)	-
Retained earnings / Uncovered losses	(256,765)	322,041	65,276

4. Accounting principles (policy) adopted

Basis of preparation of the consolidated financial statements

These consolidated financial statements have been prepared under the historical cost convention, except for certain property, plant and equipment, which are measured at either revalued amounts or fair value and financial instruments, which are measured at fair value at the end of each reporting period in accordance with the accounting policy set out below.

Historical cost is generally determined on the basis of the fair value of the consideration given for the goods or services.

The key accounting policies used by the Group are set out below.

4.1. Principles of consolidation

These consolidated financial statements comprise the financial statements of Polimex Mostostal S.A. and its subsidiaries for the year ended 31 December 2021. The financial statements of subsidiaries, after adjustments to bring them into conformity with IFRS, are prepared for the same reporting period as those of the parent company, on the basis of uniform accounting policies applied to transactions and economic events of a similar nature. Adjustments are made to eliminate any discrepancies in the accounting policies applied.

All significant balances and transactions between Group entities, including unrealised gains arising from intra-Group transactions, have been eliminated in full. Unrealised losses are eliminated unless they provide evidence of impairment.

Subsidiaries are consolidated from the date that the Group obtains control over them and cease to be consolidated from the date that control ceases. Control by a parent undertaking exists when the parent undertaking has power over an entity, when by virtue of its involvement it is exposed to variable financial performance, or when it has rights to variable financial performance and has the ability to affect the amount of that performance through its power over a subsidiary undertaking.

4.2. Investments in associated entities

Investments in associated entities are measured in accordance withthe equity method. These are entities over which the parent company directly or through subsidiaries has significant influence and which are neither its subsidiaries nor joint ventures. The financial statements of associates are the basis for measuring the parent company's holdings using the equity method. The financial year of the associates and the parent company is the same. Before calculating the share of net assets of associates, appropriate adjustments are made to bring the financial data of these entities into conformity with IFRS as applied by the Group. Investments in associates are carried in the balance sheet at cost plus subsequent changes in the parent's share of the net assets of those entities, less any impairment losses. The share of profits or losses of associates is reflected in consolidated profit or loss. Adjustments to the carrying amount may also be necessary due to changes in the proportion of interest in an associate arising from changes in that associate's other comprehensive income. The Group's share of these changes is recognised in the Group's other comprehensive income.

The assessment of investments in associates for impairment takes place when there are indications of impairment or when an impairment loss recognised in previous years is no longer required.

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

Changes in the Group's interest in the capital of subsidiaries that do not result in the Group losing control of those entities are accounted for as equity transactions. The carrying amounts of the Group's interests and non-controlling interests are adjusted to reflect changes in interests in the relevant subsidiaries. Differences between the amount of the adjustment to non-controlling interests and the fair value of the consideration paid or received are recognised directly in equity and attributed to the owners of the Company. If the Group loses control of a subsidiary, a gain or loss is recognised in the income statement, calculated as the difference between the aggregate of the consideration received and the fair value of the retained interests and the original carrying amount of the assets (including goodwill) and liabilities of that subsidiary and the non-controlling interests. All amounts related to this subsidiary, originally recognised in other comprehensive income, are accounted for as if the Group had directly disposed of the corresponding assets or liabilities of the subsidiary (i.e. transferred to profit or loss or to another category of equity in accordance with the provisions of the relevant IFRSs). The fair value of the investment held in the former subsidiary at the date when control is lost is treated as the fair value on initial recognition to allow for the possible settlement of the cost incurred on initial recognition of the investment in the associate or joint venture.

4.4. Acquisition of control achieved in stages

In the case of acquisitions of control implemented in stages, e.g. in the case of obtaining control of a previously associated entity, the Group remeasures the previously held equity interest at fair value at the acquisition date and recognises the resulting gain or loss, if any, in profit or loss in financing activities.

(in PLN thousand)

4.5. Minority capital and put option held by minority shareholders

The Group presents as minority interests the equity of subsidiaries that cannot be attributed to the parent company. Minority interests are recognised as part of the equity settlement transactions of subsidiaries and are measured in accordance with their share of the net asset value at the date control is obtained. In subsequent periods, the value of minority capitals is adjusted by the respective share they hold in the result of the subsidiary.

The minority shareholders of the subsidiary have an option to sell their shares when certain conditions are met. At the end of any period during which the above option is not exercised, the Group:

- shall exclude from the balance sheet the amount of minority interests calculated as described above,
- recognises a financial liability (presented in the balance sheet under other liabilities) at the present value of the expected payment on exercise of the option
- the change in the liability is recognised through retained earnings.

If the option is exercised, the value of the liability recognised will settle with the value of the payment for exercising the option. If the option remains outstanding, the Group will recognise minority interest at the amount that would have been calculated had the put option not been recognised and will derecognise the related financial liabilities.

4.6. Participation in the joint venture

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

4.7. Conversion of items denominated in foreign currencies

Transactions denominated in currencies other than the Polish zloty are converted into Polish zlotys using the exchange rate applicable on the transaction date. As at the balance sheet date, monetary assets and liabilities denominated in currencies other than the Polish zloty are translated into the Polish zloty using the average exchange rate for a given currency established by the National Bank of Poland and applicable at the end of the reporting period. Exchange differences arising from the translation and settlement of these items are recognised respectively under financial income (expenses) or, capitalised in the value of assets. Non-monetary assets and liabilities recognised at historical cost denominated in foreign currency are stated at the historical exchange rate at the date of the transaction. Non-monetary assets and liabilities recognised at fair value denominated in a foreign currency are translated at the exchange rate at the date of measurement to fair value.

The functional currency of foreign subsidiaries is UAH and RUB. At the balance sheet date, the assets and liabilities of these foreign subsidiaries are translated into the Group's presentation currency at the exchange rate prevailing at the balance sheet date and their statements of comprehensive income are translated at the weighted average exchange rate for the financial period. Exchange differences arising from such translation are recognised in other comprehensive income and accumulated in the balance sheet: Accumulated other comprehensive income, and in the statement of changes in equity under Accumulated other comprehensive income for exchange differences on translation of a foreign operation. On disposal of a foreign entity, deferred exchange differences accumulated in equity relating to the foreign entity are recognised in the income statement.

The exchange rates at the respective balance sheet dates were as follows:

	As at 31 December 2021	As at 31 December 2020
UAH	0.1487	0.1326
RUB	0.0542	0.0501
EUR	4.5994	4.6148

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

	Year ended 31 December 2021	Year ended 31 December 2020
UAH	0.1422	0.1439
RUB	0.0524	0.0535
EUR	4.5775	4.4742

4.8. Tangible fixed assets

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, except for the class of assets defined as property and constructions permanently attached to land, i.e. land, production plants and property developed with a complex of buildings of a warehouse-industrial-office nature. The above asset class is presented in the category "Land and buildings" and is measured using the revaluation model.

The initial value of tangible assets comprises their purchase price plus all costs directly attributable to the purchase and bringing the asset to a usable condition. The cost also includes the cost of replacing components of machinery and equipment as incurred if the recognition criteria are met. Costs incurred after a fixed asset has been placed in service, such as maintenance and repair costs, are charged to profit or loss as incurred.

Increases in the carrying amount due to revaluation of assets recognised under the revaluation method are credited to other comprehensive income and reported as Accumulated other comprehensive income in equity. Reductions offsetting prior increases that relate to the same fixed asset are charged to other comprehensive income and deducted from revaluation reserve. Any remaining decrease is recognised in the Income Statement. The resulting equity component is transferred to retained earnings when the asset to which it relates is derecognised.

On acquisition, fixed assets are divided into components that are items of significant value to which separate useful lives can be attributed.

Depreciation is provided on a straight-line basis over the estimated useful life of the asset:

Type	Period
Buildings and structures	10-60 years
Technical machinery and equipment	2-40 years
Office equipment	3-10 years
Means of transport	2-30 years
Computers	2-8 years
Investments in third-party tangible assets	10-25 years

The residual values, useful lives and depreciation methods of assets are reviewed annually at the end of December and adjusted, if necessary, with effect from the beginning of the following financial year.

Construction in progress relates to fixed assets under construction or assembly and is stated at cost less any impairment losses. Assets under construction are not depreciated until construction is completed and the asset is placed in service.

4.9. Investment properties

Investment property is initially recognised at cost including transaction costs.

After initial recognition, investment properties are carried at fair value. Gains or losses arising from changes in the fair value of investment property are recognised in profit or loss as other income or other operating costs in the period in which they arise.

Assets are transferred to investment property only when there is a change in the manner in which they are used, evidenced by the end of the owner's use of the asset or the conclusion of an operating lease. If an asset used by the owner-Company becomes an investment property, the Group applies the principles described under Property, plant and equipment until the date of change in use of the property. The difference at the date of transfer between the carrying amount determined in accordance with the principles set out in Property, plant and equipment and its fair value is treated in a similar way to the recognition corresponding to the recognition of revalued amounts. When an investment property is disposed of, the difference between the sale price and the book value is recognised in the income statement.

4.10. Intangible assets

Intangible assets are measured on initial recognition at cost or production cost, as appropriate. After initial recognition, intangible assets are stated at cost less accumulated amortisation and impairment losses.

Intangible assets with finite useful lives are amortised over their useful lives and tested for impairment whenever there are indications of impairment. The following useful lives were used:

Type	Period
Patents and licences	For patents and licences used under a fixed-term contract, that term shall be taken to include the period for which the use may be extended
Development costs	5 years
Computer software	2-15 years

Goodwill

Goodwill arising from obtaining control of an entity is initially recognised at the excess of

- sums:

  (i) the payment transferred,

  (ii) the amount of any non-controlling interest in the acquiree; and

  (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in .

- over the net amount determined at the acquisition date of the value of identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is carried at cost less any accumulated impairment losses. An impairment test is carried out annually or more frequently if there are indications to do so. Goodwill is not amortised.

At the acquisition date, the acquired goodwill is allocated to each of the cash-generating units that may benefit from the synergies of the combination. Each unit, or group of units, to which goodwill has been allocated:

- corresponds to the lowest level in the Group at which goodwill is monitored for internal management purposes, and
- is not larger than one operating segment defined in accordance with IFRS 8 Operating Segments.

The impairment loss is determined by estimating the recoverable amount of the cash-generating unit to which the goodwill has been allocated. Where the recoverable amount of a cash-generating unit is less than its carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit and part of an operation within that unit is sold, the goodwill associated with the operation sold is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. In such circumstances, the goodwill sold is determined based on the relative value of the business sold and the value of the retained portion of the cash-generating unit. A cash-generating unit is no larger than one operating segment before aggregation.

Impairment of non-financial fixed assets

At each balance sheet date, the Group assesses whether there is any indication that any of its non-financial non-current assets may be impaired. If any such indication exists, or if an annual impairment test is required, the Group estimates the recoverable amount of the asset or the cash-generating unit to which the asset belongs if the asset does not generate cash inflows independently.

The recoverable amount of an asset or a cash-generating unit is the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use. If the carrying amount of an asset is greater than its recoverable amount, an impairment loss has occurred and a write-down to the determined recoverable amount is made.

At each balance sheet date, the Group assesses whether there is any indication that an impairment loss recognised in prior periods in respect of an asset is no longer necessary or should be reduced.

4.11. External financing costs

Borrowing costs are capitalised as part of the cost of fixed assets. Borrowing costs comprise interest calculated using the effective interest rate method, finance charges in respect of leasing contracts and exchange differences arising in connection with borrowing to the extent of any adjustment to interest costs.

4.12. Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs are recognised as follows:

Materials	at the purchase price determined by the "first-in-first-out" method;
Finished goods and work in progress	the cost of direct materials and labour and an appropriate mark-up for the indirect production costs, established assuming normal capacity utilisation, excluding borrowing costs;
Goods	at the purchase price determined by the "first-in-first-out" method.

When inventories are released from the warehouse, the Group recognises own costs of sales - in the case of sales, or consumption of materials - in the case of release of inventories for further production or provision of services.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised

The net realisable sale price is the estimated selling price in the ordinary course of business, less the costs of completion and the estimated costs necessary to make the sale.

4.13. Trade receivables

Trade receivables are recognised and disclosed at the amounts originally invoiced, including an allowance for doubtful debts.

Where the effect of the time value of money is material, the value of receivables is determined by discounting the forecast future cash flows to present value using a discount rate that reflects current market assessments of the time value of money and the counterparty credit risk. Where the discounting method is used, the increase in receivables due to the passage of time is recognised as finance income.

4.14. Other receivables

Other receivables include in particular advances made for future purchases of property, plant and equipment, intangible assets and inventories. Prepayments are presented according to the nature of the assets to which they relate - as non-current or current assets respectively. As non-monetary assets, advances are not discounted. Other receivables also include VAT receivables and other public and legal receivables.

4.15. Deposits transferred under construction contracts

Construction contract deposits are amounts due to the Group arising from amounts paid under ongoing construction contracts. In particular, the deposits provided are collateral provided by the Group. Deposits are retained from the Group's sales invoices as services progress or are paid by the Group on a one-off basis. Deposits are settled at the end of the contract or after the guarantee period.

Deposits under construction contracts are recognised and reported at the amounts originally invoiced or paid to the customer, subject to an allowance.

Where the effect of the time value of money is material, the value of the deposit is determined by discounting the projected future cash flows to present value using a discount rate that reflects current market assessments of the time value of money and the counterparty credit risk. An allowance for deposits transferred under construction contracts is estimated when collection of the full amount of the deposit is no longer probable.

If the discounting method is used, the increase in value due to the passage of time is recognised as financial income.

4.16. Cash and cash equivalents

Cash shown in the balance sheet includes cash at bank and in hand and deposits held at call with banks.

Cash equivalents comprise investments that meet all of the following criteria: short-term i.e. generally with a maturity of less than 3 months from the date of acquisition, highly liquid, readily convertible to specific amounts of cash, and subject to an insignificant risk of changes 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 cash and cash equivalents as defined above.

4.17. Financial instruments

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

Financial assets are classified into the following measurement categories:

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

The Group classifies a financial asset based on the Group's business model for managing financial assets and the contractual cash flow characteristics of the financial asset (the "principal and interest only criterion").

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

a) the financial asset is held according to a business model whose objective is to hold the financial asset to collect the contractual cash flows; and
b) the terms of the contract for the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

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

Interest income is calculated using the effective interest method and is recognised in the income statement under finance income.

Dividends are recognised in the income statement when the entity's right to receive the dividend arises.

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

For trade receivables, deposits and contract valuation assets, the Group applies a simplified approach and measures the allowance for expected credit losses at an amount equal to the lifetime expected credit losses using an allowance matrix. The Group uses its historical data on credit losses as well as information on the individual assessment of impairment risk, and takes into account the impact of forward-looking information. The allowance for expected credit losses recognised during the period is presented in Note 17. These write-downs are presented in the income statement under Gain / (loss) on impairment of financial assets.

For other financial assets including cash, the Group measures the allowance for expected credit losses at an amount equal to 12 months expected credit losses. If the credit risk associated with a financial instrument has increased significantly since initial recognition, the Group measures the allowance for expected credit losses on the financial instrument at an amount equal to the lifetime expected credit losses.

The Group assesses that the credit risk associated with a financial instrument has increased significantly since the date of initial recognition when the counterparty's financial position has deteriorated, it has entered into restructuring / bankruptcy / liquidation.

Assets shall be derecognised when the rights to receive cash flows from them have expired or have been transferred and substantially all risks and rewards of ownership have been transferred.

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

Group companies do not apply hedge accounting.

4.18. Bank loans, borrowings and debt securities (bonds)

On initial recognition, all bank loans, borrowings and debt securities are recognised at fair value less costs associated with obtaining the loan.

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

4.19. Leasing

The Group applies exemptions regarding the recognition of leases of low value (not exceeding PLN 15,000) and short-term leases (not exceeding 12 months). These transactions are presented within cost of sales as third party service costs. Where the lease rate cannot be determined, the Group uses the lessee's marginal interest rate, which averages 4.1%.

At the beginning of the contract, the Group assesses whether the contract contains a lease. An arrangement is a lease if it transfers the right to control the use of an identified asset for a specified period in return for consideration.

The Group recognises a right-of-use asset and a lease liability at the inception of the lease. At the inception date, the Group measures the lease liability at the present value of the lease payments outstanding at that date.

The cost of the right-of-use asset includes the amount of the initial measurement of the lease liability in accordance with and

i. any lease payments made on or before the commencement date, less any lease incentives received, and
ii. any initial direct costs, and
iii. an estimate of the costs to be incurred to dismantle and remove the underlying asset, refurbish the site on which it is located or refurbish the underlying asset to the condition required by the lease terms.

After the commencement date of the lease, the Group measures the lease liability by:

i. increase in carrying amount to reflect interest on lease liability,
ii. a reduction in the carrying amount to take account of lease payments made, and
iii. revaluing the carrying amount to reflect any reassessment or modification of the lease, to include updated substantially fixed lease payments.

After the commencement date of the lease, the Group measures the right-of-use asset at cost:

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

The Group amortises the right asset from the commencement date of the lease until the end of the lease term or including the option to renew the lease (where the Company is highly likely to exercise the option). Where depreciation is recognised to the end of the useful life, the Group applies depreciation rates appropriate to the asset group, coinciding with those applicable to property, plant and equipment.

Leases under which the lessor retains substantially all the risks and rewards incidental to ownership of the leased asset are classified as operating leases. Lease payments are recognised as operating income in the income statement on a straight-line basis over the term of the lease.

The Group presents right-of-use assets in the same balance sheet items in which they would be presented if the Group owned the assets. Right-of-use assets are presented in the property, plant and equipment line. Lease liabilities are presented in the line Loans, borrowings and other financing sources in the long-term or short-term part of the balance sheet - depending on the settlement date. In the statement of cash flows within financing activities, the Group presents outflows related to leases recognised in the balance sheet. Cash flows relating to short-term or low value leases are presented in operating cash flows. Additional lease disclosures are presented in notes 7.8, 7.9, 11.1 and 23.

4.20. Assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction and the sale is considered highly probable. They are recognised at the lower of their carrying amount and fair value less costs to sell.

4.21. Other assets

Deferred costs are recognised at the amount of costs already incurred which relate to subsequent reporting periods after the balance sheet date. These costs are recognised at nominal value after having ascertained that the costs will benefit the entity in the future. Accruals primarily comprise:

- insurance,
- subscriptions,
- prepaid rentals that do not qualify as leases.

4.22. Deferred income

Deferred income shall be recognised taking into account the prudence principle. They primarily comprise the equivalent of funds received or receivable for services to be rendered in future reporting periods.

4.23. Trade liabilities

Current trade payables are stated at amortised cost. Accruals and other liabilities, which are not financial instruments measured at fair value through profit or loss, are measured at amortised cost using the effective interest method.

4.24. Other liabilities

Other liabilities include, in particular, liabilities relating to the purchase of fixed assets, VAT liabilities and other liabilities relating to taxes, customs and social security and liabilities under financial guarantees. Other liabilities are recognised at amortised cost.

4.25. Deposits received under construction contracts

Deposits received on construction contracts represent amounts arising from amounts received under ongoing construction contracts. The Group retains deposits from sales invoices issued by subcontractors as services progress or deposits are paid by subcontractors on a one-off basis. Deposits are settled at the end of the contract or after the guarantee period.

Deposits on construction contracts are recognised and reported at the amounts originally invoiced or paid by suppliers. In subsequent periods, deposits are recognised at amortised cost. The impact of measurement at amortised cost is recognised as financial income/expense.

4.26. Employee benefit liabilities

Short-term employee benefits paid by the Group include:

- salaries and social security contributions,
- short-term compensated absences if the absence is expected to occur within 12 months of the end of the period in which the employees performed the related work,
- profit-sharing and bonuses payable within 12 months after the end of the period in which the employees render the related service,
- non-monetary benefits for current employees.

Short-term employee benefits, including contributions to defined contribution plans, are recognised in the period in which the entity receives the benefit in question from the employee and, in the case of profit-sharing and bonus payments, when 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
- the liability can be measured reliably.

The Group recognises the expected cost of short-term employee benefits in the form of compensated absences for accumulating compensated absences (i.e. those that are carried forward and can be used in future periods if not fully used in the current period) and for non-accumulating compensated absences (which incur a liability for the Company when they occur).

In accordance with company remuneration systems, employees of Group companies are entitled to retirement benefits. Retirement benefits are paid as a one-off payment on retirement. The amount of severance payments depends on the employee's length of service and average salary. The Group makes a provision for future retirement benefit obligations in order to allocate costs to the periods to which they relate. According to IAS 19, retirement benefits are post-employment defined benefit plans. The present value of these liabilities at each balance sheet date is calculated by an independent actuary. The accrued liabilities are equal to the discounted payments to be made in the future, taking into account staff turnover, and relate to the period up to the balance sheet date. Demographic and staff turnover information is based on historical data.

Retirement benefit obligations are presented under employee benefit liabilities.

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

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

4.27. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and when it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the Group expects that the costs covered by the provision will be reimbursed, for example under an insurance contract, then the reimbursement is recognised as a separate asset, but only when it is virtually certain that the reimbursement will actually occur. The expense relating to a provision is shown in the income statement net of any reimbursements.

Where the effect of the time value of money is material, the amount of the provision is determined by discounting the forecast future cash flows to present value, using a discount rate that reflects current market assessments of the time value of money and the risks, if any, associated with the liability. Where the discounting method is used, the increase in the provision due to the passage of time is recognised as a finance cost.

4.28. Distribution of profit for employee purposes and special funds

In accordance with Polish business practice, shareholders of entities may make profit distributions for employee purposes in the form of contributions to a social fund and other special funds. In IFRS financial statements, this portion of the profit distribution is included in operating expenses for the period to which the profit distribution relates.

4.29. Reserve capital from convertible bond surplus

The Group recognises separately the components of financial instruments that create its financial liability and give its holders an option to convert to an equity instrument of the Parent. The Parent Company is an issuer of bonds convertible into shares of the Parent Company. At the date of issue of the bonds, the Parent Company measured the equity component and the liability component of the bonds issued. The liability component was measured at fair value. The equity component is defined as the residual value of the amount remaining after deducting the separately determined value of the liability component from the fair value of the instrument as a whole. The Group does not reclassify the liability and equity component based on changes in the probability of exercising the conversion option.

4.30. Revenue from contracts with customers

The Group recognises a contract with a customer only when all of the following criteria are met:

- the contracting parties have entered into an agreement (whether in writing, orally or in accordance with other usual commercial practice) and are obliged to perform their obligations;
- The Group is able to identify each party's rights in the goods or services to be transferred;
- The Group is able to identify payment terms for the goods or services to be transferred;
- the contract has economic substance (ie the risk, timing or amount of the entity's future cash flows can be expected to change as a result of the contract); and
- it is probable that the Group will receive the consideration to which it is entitled in exchange for the goods or services to be provided to the customer.

The Group combines two or more contracts that are entered into simultaneously or nearly simultaneously with the same customer (or customer-related entities) and accounts for them as a single contract if at least one of the following criteria is met:

- the agreements are negotiated as a package and concern the same commercial purpose;
- the amount of consideration payable under one contract depends on the price or performance of another contract; or
- the goods or services promised in the contracts (or some of the goods or services promised in each contract) constitute a single performance obligation.

The Group recognises an amendment to a contract as a separate contract if, at the same time: the scope of the contract increases due to the addition of promised goods or services that are considered to be separate; and the contract price increases by an amount of consideration reflecting the entity's specified individual selling prices for the additional promised goods or services and any appropriate adjustments to that price made to reflect the circumstances of the particular contract.

At the inception of the contract, the Group evaluates the goods or services promised in the contract with the customer and identifies as a performance obligation any promise to transfer to the customer:

- a good or service (or bundle of goods or services) that can be distinguished; or
- groups of separate goods or services which are essentially the same and where the transfer to the customer is of the same nature.

The good or service promised to the customer is distinct if both of the following conditions are met:

- the customer can benefit from the good or service, either directly or by association with other resources that are readily available to him (i.e. the good or service may be distinct); and
- the entity's obligation to transfer the good or service to the customer can be identified as distinct from other obligations in the contract (ie the good or service is distinct within the contract itself).

The Group recognises revenue when it has fulfilled (or is in the process of fulfilling) its performance obligation by transferring the promised good or service (i.e. asset) to the customer. The transfer of an asset occurs when the customer obtains control of the asset.

For each performance obligation, the Group determines at the inception of the contract whether it will satisfy the performance obligation over time or whether it will satisfy the performance obligation at a specific point in time. If the Group does not satisfy the performance obligation over time, the performance obligation is satisfied at a specific point in time.

The Group uses a single method of measuring the extent to which an obligation is met for each performance obligation that is satisfied over time and applies that method consistently to similar performance obligations and in similar circumstances. At the end of each reporting period, the Group reassesses the extent to which the performance obligation fulfilled over time has been fully met.

The Group uses input-based methods to measure the extent to which the obligation is met. Revenue is recognised based on the activities or expenditures incurred in meeting the performance obligation relative to the total expected expenditures required to settle the performance obligation. The stage of completion is measured as the share of costs incurred from the date of contract to the date of revenue recognition in the estimated total cost of service provision or the share of work performed in relation to the total work effort.

When a performance obligation is satisfied (or in the process of being satisfied), the Group recognises as revenue an amount equal to the transaction price (excluding estimated variable consideration, which is capped) that has been allocated to that performance obligation.

To determine the transaction price, the Group takes into account the terms of the contract. The transaction price is the amount of consideration that the Group expects to receive in exchange for transferring the promised goods or services to the customer, excluding amounts collected on behalf of third parties. The remuneration specified in the client agreement may include fixed amounts, variable amounts or both.

In determining the transaction price, the Group adjusts the promised consideration for the change in the time value of money if the timing of payments agreed by the parties to the contract (either explicitly or implicitly) gives the Group a material benefit or incurs a material financial cost in financing the transfer of goods or services. In such circumstances, the Group considers that the contract contains a material financing element. The essential element of financing may be present regardless of whether the promise of financing is expressly set out in the contract or arises from the terms of payment agreed by the parties to the contract.

The Group attributes to the performance obligations set out in the contract any subsequent changes in the transaction price on the same basis as at the inception of the contract. Amounts attributed to performance obligations met are recognised as revenue or as a reduction of revenue in the period in which the transaction price changes.

When the Group, as one of the parties to a contract, has fulfilled an obligation, the Group presents the contract as a contract asset (under "Contract valuation receivables") or a contract liability (under "Contract valuation payables") - depending on the relationship between the fulfilment of the obligation by the entity and the invoices issued. The Group presents any unconditional rights to receive consideration separately as trade receivables.

The Group presents prepayments received in the contract valuation item.

Where another party is involved in the provision of goods or services to the customer, the Group determines whether the nature of the promise is a performance obligation to provide specific goods or services (in which case the Group is the principal) or to have another party provide those goods or services (in which case the Group is the intermediary).

A group is a principal if it exercises control over the promised good or service before it is transferred to the customer. However, the group need not act as principal if it obtains title to the product only temporarily before it is transferred to the customer. The group acting as principal in the contract may itself fulfil the performance obligation or may delegate the fulfilment of that obligation or part thereof to another entity (e.g. a subcontractor) on its behalf. When the payer Group fulfils a performance obligation, it recognises revenue for the amount of consideration to which the entity expects to be entitled in exchange for the goods or services transferred.

A group acts as an intermediary if its performance obligation is to ensure the provision of goods or services by another entity. When an intermediary group fulfils a performance obligation, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for the provision of goods or services by another party. A fee or commission payable to an entity may be the amount of consideration that the Group retains after it has paid remuneration to another entity in exchange for goods or services provided by that entity.

4.31. Taxes

Current tax

Current tax liabilities and receivables for the current and prior periods are measured at the amounts expected to be paid to (recovered from) the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted byalready legally or actually binding as at the balance sheet date.

Deferred tax

For financial reporting purposes, deferred tax is calculated using the balance sheet method in relation to temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets / liabilities are recognised for all negative / positive temporary differences:

- except when a deferred tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or tax loss; and

- for taxable temporary differences arising from investments in subsidiaries or associates and interests in joint ventures, except where the timing of the reversal of the temporary difference is controlled by the investor and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that future taxable profits will be available against which the asset can be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognised outside profit or loss is recognised outside profit or loss: in other comprehensive income relating to items recognised in other comprehensive income or directly in equity relating to items recognised directly in equity.

Group companies offset deferred tax assets against deferred tax liabilities if and only if they have a legally enforceable right to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxpayer and the same tax authority.

If, in the Group's opinion, it is likely that the Group's approach to a tax issue or group of tax issues will be accepted by the tax authority, the Group determines the taxable profit (tax loss), tax base, unused tax losses, unused tax credits and tax rates taking into account the approach to taxation planned or applied in its tax return. In assessing this likelihood, the Group assumes that the tax authorities with the power to audit and challenge the tax treatment will conduct such an audit and will have access to all information.

If the Group determines that it is not probable that the tax authority will accept the Group's treatment of a tax issue or group of tax issues, then the Group reflects the effect of the uncertainty in the accounting treatment of the tax in the period in which it determines this. The Group recognises an income tax liability using one of the following two methods, whichever better reflects the way in which uncertainty is likely to materialise:

- The group determines the most likely scenario - this is a single amount among possible outcomes or
- The Group recognises expected value - this is the sum of the probability-weighted amounts among the possible outcomes.

5. Significant values based on professional judgement and estimates

The key assumptions about the future and other key sources of uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year are discussed below.

Economic useful lives of property, plant and equipment

As described in note 4.8, the Group reviews the expected economic lives of the components of its property, plant and equipment items at the end of each annual reporting period.

Fair value measurement and valuation procedures

Investment properties are measured by the Group at fair value for financial reporting purposes. The valuation is carried out by external qualified valuers. Valuations are prepared using either income or comparative methods. The Group uses the revaluation model for the asset class: property and structures. Where revaluations are carried out, the Group obtains fair value appraisals for individual locations of properties and structures. A revaluation is performed for an entire class of assets when the fair value differs materially from the carrying amount. Valuations are prepared using either income or comparative methods. Details of the valuations carried out are described in note 11 and note 21.

Impairment of assets

The Group tests property, plant and equipment and shares for impairment whenever there are factors indicating that assets may be impaired. This requires an estimate of the value in use of the cash-generating unit to which these fixed assets belong. Estimating value in use involves determining the future cash flows generated by a cash-generating unit and requires the determination of a discount rate to be used in order to calculate the present value of those cash flows.

Impairment of goodwill

In accordance with IAS 36, the Parent Company's Management Board performs annual impairment tests as at the balance sheet date for cash-generating units to which goodwill has been allocated. Assumptions and relevant information regarding the tests performed are set out in Note 13 of the Notes. As a result of the test, there was no impairment of goodwill during the financial year ended 31 December 2021.

Deferred tax asset, note 8.2

The Group recognises a deferred tax asset based on the assumption that a taxable profit will be realised in the future to allow its utilisation. Deterioration of the tax results obtained in the future could make this assumption unjustified.

Revenue recognition, note 18

The gross margins of ongoing contracts are determined on the basis of a formalised Project Review process, as the difference between the selling price and the estimated total contract costs (the sum of costs incurred and costs estimated to complete the contract). Verification of estimated costs to project completion takes place during Project Reviews conducted monthly, quarterly, semi-annually, or at other frequencies depending on the type of contract. The costs to complete the project are determined by the competent teams, which are responsible for the area in question on the basis of their knowledge and experience.

The Group applies the percentage of completion method when accounting for long-term contracts. The application of this method requires the Group to estimate the proportion of work performed to date to the total services to be performed. The stage of completion is measured using the input-based method, i.e. as the share of costs incurred to date in the total expected cost budget of the contract. Based on updated contract budgets and the stage of completion of construction contracts, the Group recognises the effects of changes in estimates in the period's result.

Valuation of employee benefit obligations - retirement and disability severance payments

Provisions for employee benefits have been estimated using actuarial methods. The assumptions used for this purpose are set out in note 27.

Provision for warranty repairs, note 26

Provisions for warranty repair liabilities are made during the course of the contract in proportion to sales revenue. The amount of provisions created depends on the type of construction services performed and represents a certain percentage of the value of sales revenue for a given contract. However, the value of provisions for warranty repair costs may be subject to individual analysis (including through the opinion of the manager responsible for the construction site) and may be increased or decreased where justified. The provisions shall be used within the first 3-5 years after completion of the investment in proportions corresponding to the repair costs actually incurred.

Provision for litigation, note 26

Provisions relating to the effects of pending litigation are recognised when a lawsuit has been filed against an entity and it is more likely than not that an adverse judgement will result in a favourable judgement for the entity. The basis for assessing this likelihood is the course of the legal proceedings and the opinions of lawyers. The provisions established are charged to other operating costs.

Provision for penalties, note 26

The estimation of the amount of the contractual penalties is carried out by the technical department in charge of the execution of the construction contract, together with the legal department interpreting the provisions of the contract. Provisions for penalties are created when the probability of the ordering party imposing a penalty due to improper contract performance is high.

Provision for contract settlement costs, note 26

Provisions for contract costs relate to the final settlement of road contracts.

Provision for anticipated losses on construction contracts, note 26

At each balance sheet date, the Group revises its estimates of total revenue and total costs for its projects. The expected total loss on the contract is recognised as an expense in the period in which it is recognised.

Provision for warranties, note 26

A surety is recognised as a provision in the accounts if at the balance sheet date it is highly probable that the borrower will not be able to repay its debts.

Impairment of materials (Note 15) and receivables (Notes 16 and 17)

At each balance sheet date, the Group analyses individual indications of impairment of trade receivables such as: disputed receivables, receivables claimed in court, receivables from companies in bankruptcy or liquidation and others. On this basis, the Group makes individual allowances for receivables and the Group includes the remaining receivables in the allowance for expected credit losses. The technique for calculating impairment losses is described in Note 17 Financial Instruments - Impairment.

At each balance sheet date, the Group revises the allowance for obsolete materials taking into account the period of storage and potential future use.

6. Reporting segments

For management purposes, the Group is divided into four parts based on the products manufactured and services provided:

Production	manufacture and supply of steel structures, gratings, racking systems, pallets, road barriers. Corrosion protection services for steel structures through hot-dip galvanising, the Duplex system and hydraulic painting.
Industrial construction	construction and installation services. General contracting of facilities in the construction industry (including development activities). Construction of large industrial and general construction projects. Assembly of steel constructions, special equipment, halls and special structures.
Power sector	services related to the power sector. General contracting of facilities in the power industry, design, manufacture and sale of power boilers, maintenance services in the field of permanent and comprehensive maintenance of power plants, combined heat and power plants and industrial plants.
Oil, gas, chemicals	general contracting of facilities in the chemical industry. Assembly of process equipment for the chemical and petrochemical industries, prefabrication and assembly of steel structures, process pipelines, storage tanks and pipelines, prefabrication and assembly of furnaces for the refinery industry. Implementation of environmental projects. The recipients of the services are chemical plants, refineries, petrochemical and gas industries.

For reporting purposes, the Group presents an additional two segments due to historical circumstances and a better understanding of the report:

Infrastructure construction	general contracting of facilities in the field of road and railway construction. Activity in this segment has been reactivated in recent years and is undergoing significant development. In the segment the Group presents the effects of settlements of road contracts, where the main recipient of services was the General Directorate for National Roads and Motorways.
Other activities	equipment and transportation services, rental services, leases, laboratory tests, maintenance of equipment, other services not included in other segments.

Management monitors the operating results of the segments separately in order to make decisions regarding the allocation of resources, to assess the effects of this allocation and the performance of the business. To assess the operating results of the segments, the Management Board uses the segment result achieved on operating activities and the segment gross result. Income tax is monitored at Group level and is not allocated to segments.

The transaction prices used for transactions between operating segments are determined on an arm's length basis similar to transactions with unrelated parties.

The following tables set out revenue and profit figures for each of the Group's operating segments for the year ended 31 December 2021 and 31 December 2020. The Company's management monitors segment performance on a regular basis, but there is no ongoing assessment of segment assets and liabilities. Accordingly, the following tables do not include a breakdown of assets and liabilities by segment.

Segment data are presented according to the same principles as those used in the preparation of the financial statements.

(in PLN thousand)

Year ended 31 December 2021	Production	Industrial Construction	Power sector*/	Oil, gas, chemicals	Infrastructure construction	Other activities	Exclusions	Total activity
Revenue								
Sales to external customers	715,763	66,391	1,052,620	392,328	73,350	3,548	-	**2,304,000**
Sales between the segments	46,465	134,878	1,254	9,185	11,726	37,621	(241,129)	-
Total segment revenues	762,228	201,269	1,053,874	401,513	85,076	41,169	(241,129)	**2,304,000**
Results								
Segment profit/loss from operating activities	13,406	8,294	54,743	54,741	4,829	(8,397)	-	**127,616**
Balance of financial income and costs	(11,355)	(289)	(480)	(1,053)	93	(7,094)	-	**(20,178)**
Gross profit/loss of segment	2,051	8,005	54,263	53,688	4,922	(15,491)	-	**107,438**

Revenues from transactions between the segments are eliminated.

*/ Operating profit includes share in profit of associated entity in the amount of PLN 112 thousand

Year ended 31 December 2020	Production	Industrial Construction	Power sector*/	Oil, gas, chemicals	Infrastructure construction	Other activities	Exclusions	Total activity
Revenue								
Sales to external customers	528,519	74,869	602,828	346,232	59,728	3,144	-	**1,615,320**
Sales between the segments	62,990	68,984	7,663	1,748	9,129	35,234	(185,748)	-
Total segment revenues	591,509	143,853	610,491	347,980	68,857	38,378	(185,748)	**1,615,320**
Results								
Segment profit / (loss) from operating activities	29,410	15,136	31,193	28,137	18,483	(32,460)	-	**89,899**
Balance of financial income and costs	(410)	269	(1,426)	3,251	103	(12,705)	-	**(10,918)**
Gross profit / (loss) for the segment	29,000	15,405	29,767	31,388	18,586	(45,165)	-	**78,981**

Revenues from transactions between the segments are eliminated.

*/ Operating profit includes share in profit of associated entity in the amount of PLN 367 thousand

(in PLN thousand)

7. Revenues and costs

7.1. Sales revenues by category

Year ended 31 December 2021	Production	Industrial Construction	Power sector	Oil, gas, chemicals	Infrastructure construction	Other activities	Exclusions	Consolidated financial data
Revenue from sale of construction and other services	725,470	200,295	1,053,022	400,803	85,076	23,710	(229 596)	**2,258,780**
Revenue from sale of goods, materials	33,580	70	819	710	-	4,339	(87)	**39,431**
Rental income	3,178	904	33	-	-	13,120	(11 446)	**5,789**
Total sales revenues	**762,228**	**201,269**	**1,053,874**	**401,513**	**85,076**	**41,169**	**(241 129)**	**2,304,000**

Year ended 31 December 2020	Production	Industrial Construction	Power sector	Oil, gas, chemicals	Infrastructure construction	Other activities	Exclusions	Consolidated financial data
Revenue from sale of construction and other services	568,503	143,857	609,952	347,744	68,857	22,244	(175 535)	**1,585,622**
Revenue from sale of goods, materials	19,786	(4)	473	236	-	4,513	(2)	**25,002**
Rental income	3,220	-	66	-	-	11,621	(10 211)	**4,696**
Total sales revenues	**591,509**	**143,853**	**610,491**	**347,980**	**68,857**	**38,378**	**(185 748)**	**1,615,320**

Revenue from contracts with customers under IFRS 15 includes the first two items in the tables above.

The revenues of the Production segment are, in significant part, revenues earned at a point in time. Revenue generated at the point in time also includes revenue from the sale of goods and materials in all segments. Revenue from the sale of construction and other services is revenue earned over time in all segments except the Production segment.

(in PLN thousand)

7.2. Geographical information

The following tables set out revenue figures relating to each of the Group's geographical areas for the year ended 31 December 2021 and 31 December 2020. The Group classifies based on the location of the service provided or delivery made.

Year ended 31 December 2021	Production	Industrial Construction	Power sector	Oil, gas, chemicals	Infrastructure construction	Other activities	Exclusions	Consolidated financial data
Poland	287,607	201,269	1,000,808	308,898	85,076	37,029	(238 292)	**1,682,395**
Abroad	474,621	-	53,066	92,615	-	4,140	(2 837)	**621,605**
Total sales revenues	**762,228**	**201,269**	**1,053,874**	**401,513**	**85,076**	**41,169**	**(241 129)**	**2,304,000**

Year ended 31 December 2020	Production	Industrial Construction	Power sector	Oil, gas, chemicals	Infrastructure construction	Other activities	Exclusions	Consolidated financial data
Poland	243,092	143,853	561,155	205,135	68,857	34,215	(183,681)	**1,072,626**
Abroad	348,417	-	49,336	142,845	-	4,163	(2,067)	**542,694**
Total sales revenues	**591,509**	**143,853**	**610,491**	**347,980**	**68,857**	**38,378**	**(185,748)**	**1,615,320**

7.3. Key customers Groups

In 2021 , the Group had two customers for whom sales exceeded 10% of sales revenue and amounted to PLN 390 million and PLN 278 million respectively.

7.4. Significant events relating to ongoing contracts

In 2021, the Group executed the following strategic contracts in the power segment:

- contract for the construction of a new unit at Żerań CHP Plant,
- contract for the construction of a new unit at 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).

Żerań Combined Heat and Power Plant

Since June 2017, the Group (in consortium with Mitsubishi Hitachi Power Systems Europe GmbH) has been carrying out the supply and installation of a gas-steam unit with an electrical capacity of 497 MW and a thermal capacity of 326 MW, together with installations and auxiliary facilities at the Żerań CHP Plant in Warsaw. The total value of the contract on the date of signing was approximately PLN 982.28 million and EUR 111.93 million net, of which the Group accounts for approximately 26%. During the 2018 financial year, there was a need for an additional provision for costs in the amount of approximately PLN 57.6 million. As the contract progresses, the provision for loss is gradually utilised.

On 29 January 2019, Annex 1 was signed between the client and the consortium executing the contract. As a result of the annex, the scope of the contract has been extended. The contract price in the scope attributable to the Group increased by PLN 5 426 thousand. The annex also extended the deadline for the signing of a protocol on commissioning of the unit by the client, which is to take place within 37 months from the date of signing the contract.

On 16 July 2019, Annex 2 was signed between the client and the consortium executing the contract. By virtue of the annex, the period during which the contractor undertook to bring about the signing of a take-over protocol for the unit for operation was extended to 40 months and 21 days from the date of conclusion of the Contract. This change was due to the occurrence of Typhoon "Jebi" in Japan on 4 September 2018, the effect of which at the storage site of the gas turbine equipment components, resulted in damage to these components in such a way that the full quality guarantee and warranty for their physical defects under the contract could not be granted. The Ordering Party and the Contractor unanimously recognised the above event as force majeure, deciding to extend the deadline for completion of the Contract by the time necessary to remove its effects.

On 22 October 2019, Annex 3 was signed between the ordering party and the consortium resulting in an increase in remuneration to the extent attributable to the Group in the amount of PLN 2,492 thousand.

On 17 April 2020, a Pre-Judicial Settlement Agreement was signed between the Ordering Party and the Consortium, granting the Contractor additional remuneration resulting from the price indexation. on 3 August 2020, an Agreement was signed amending the content of the Settlement of 17 April 2020, treated as Annex 4 to the Contract, under which the contract price in the scope attributable to the Group increased by PLN 19,598 thousand.

On 6 November 2020, Annex 5 was signed between the client and the consortium extending the scope of the project to include additional and replacement works without affecting the contract price to the extent attributable to the Group. The total expected loss on this contract has reduced over the course of 2020 and amounts to PLN 36.1 million as at 31 December 2020.

On 29 April 2021, Annex 6 was signed between the client and the consortium extending the scope of the project with additional works. Under the annex, the remuneration attributable to the Group increased by PLN 2,271 thousand.

On the same day, a settlement was concluded, which at the same time constitutes Annex No. 7, on the basis of which additional remuneration was granted to the Group in the amount of PLN 13,000 thousand. at the same time, it was agreed that part of the Measurements of Guaranteed Technical Parameters of Group B would be performed by 31 December 2021.

On 27 October 2021, Amendment No. 8 was signed, introducing a change to allow the Regulatory Traffic to run simultaneously with the Trial Traffic.

On 6 December 2021, Annex no. 9 was concluded, regulating the issue of proceeding with respect to works not completed before signing the Block Takeover Protocol, which on the part of the Group was connected with extension of the performance bond until 15 May 2022.

On the same day the Protocol of the Commission for Acceptance and Commissioning of the CCGT unit at Żerań CHP Plant was signed.

The total expected loss on this contract has decreased during 2020 and 2021 and amounts to PLN 24.4 million as at 31 December 2021.

On 20 January 2022, the Ordering Party informed the Contractor of its claim for a contractual penalty for the Consortium's delay for (i) failure to meet Milestone No. 22 (MC No. 22) and for (ii) a contractual penalty for the Consortium's delay for failure to meet the Block Acceptance for Commissioning (PAC) deadline, which started a negotiation process between the Parties, during which the Parties exchanged correspondence and held explanatory meetings.

On 14 April 2022, the Ordering Party sent the Contractor debit notes covering the contractual penalties indicated above. In the opinion of Polimex Mostostal S.A., the contractual penalty encumbers Polimex Mostostal S.A. with its liability in the amount not exceeding the amount of PLN 3.6 million due to failure to meet the deadline for MC No. 22 implementation, while in the remaining scope the liability is encumbered with other participants of the Consortium, i.e. companies from Mitsubishi Power Group.

In view of the prerequisites, in the Consortium's opinion, for the penalties to be reduced, the Consortium will apply to the Court of Arbitration at the Polish Public Prosecutor's Office for mediation, which should bring the parties closer to negotiating a compromise and concluding a settlement before the Court of Arbitration at the Polish Public Prosecutor's Office.

Puławy Combined Heat and Power Plant

On 25 September 2019, an agreement was concluded between Grupa Azoty Zakłady Azotowe "Puławy" S.A. and a consortium comprising: Polimex Mostostal S.A. (as consortium leader), Polimex Energetyka Sp. z o.o. and SBB ENERGY S.A. The subject of the Agreement is the construction of a complete Thermal and Condensing Power Unit based on coal fuel, with a closed cooling system with wet fan coolers, with gross electrical power in the range of 90-100 MWe, with thermal power supplied with fuel to the furnace of the boiler of the Unit no less than 300 MWt, with thermal power in technological steam of at least 250MWt, operating on steam parameters. The remuneration for the performance of the Task is a lump sum of EUR 1,159,900 thousand. the Group's net debt to equity ratio is approximately 99%. Under the contract, the contractor undertook to hand over the power unit to the client for use within thirty-six months of the date set by the client as the date of commencement of work. On 16 December 2019, an agreement was concluded with Fabryka Kotłów SEFAKO S.A, the subject of which is the execution by SEFAKO of the basic design and detailed documentation, prefabrication and delivery of a complete boiler with equipment and safety devices. The value of this subcontract was PLN 179,900 thousand net. On 20 December 2019, an agreement was concluded with Siemens AG for the manufacture and supply of a steam turbine generator set, feedwater heaters and spare parts by Siemens. The consideration was set at €17,457 thousand net. On 31 December 2019, there was an agreement (i) between Polimex Mostostal S.A. and Bank Ochrony Środowiska S.A. ("BOŚ Bank") of a guarantee agreement for the issuance of a performance bond for the purpose of securing the performance of a contract for the amount of PLN 59,650 thousand with the term not exceeding 22 November 2022. (ii) between Polimex Mostostal S.A. Bank Gospodarstwa Krajowego ("BGK") Annex No. 3 to the Credit Agreement on guarantee lines and related revolving and non-revolving loans of 31 May 2017, as amended, concerning the agreement of the conditions for the issuance of a performance bond for the Pulawy Contract in the amount of PLN 46,340 thousand. In connection with the fulfilment of the conditions precedent, on 31 January 2020, BOŚ Bank and BGK issued performance guarantees on behalf of the Group for the amounts shown above.

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 agreement.

Due to the negative impact of the COVID19 pandemic on the performance of the contract, Polimex Mostostal S.A. applied to the Ordering Party on 17 November 2021 for an extension of the contract performance by 223 days and an increase in remuneration by PLN 35,758 thousand net.

The Pulawy Project may be affected by Russia's escalation of the conflict in Ukraine, with consequences that are difficult to predict.

Dolna Odra Power Plant

On January 30, 2020, an agreement was entered into between PGE Górnictwo i Energetyka Konwencjonalna S.A. (now PGE Gryfino 2050 Sp. z o. o.) and a consortium comprising: General Electric Global Services GmbH (as consortium leader), General Electric International Inc. and Polimex Mostostal S.A. The subject of the Agreement is the construction of two gas-steam units (no. 9 and no. 10, complete sets of generating equipment and their auxiliary installations, as well as all other technological, mechanical, electrical and automatic installations, together with the associated construction facilities) in PGE Górnictwo i Energetyka Konwencjonalna S.A. in the "turnkey" formula. Dolna Odra Power Plant Complex Branch, covering all works, supplies and services, including development of design documentation. Under the Contract, the Contractor undertook to commence the execution of the Contract immediately after its conclusion and to complete the Task by 11 December 2023.

The contract was concluded for the amount of PLN 3,649,713 thousand net, including the share of Polimex Mostostal for the amount of PLN 1,515,097 thousand net.

On 17 December 2020, Annex No. 1 to the contract between the Ordering Party and the Consortium was signed, according to which it was approved to postpone part of the payment of the Execution Stage No. 11, which is within the scope of General Electric, from August 2022 to December 2022. According to the annex the value of the Contract was reduced by PLN 12 million, this concerned the scope of General Electric.

In 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 Realization Stage No. 10 from Polimex to General Electric and thus reduced Polimex's remuneration by PLN 8,307 thousand net. The remuneration for the performance of the Task currently amounts, to the extent attributable to the Group, to PLN 1,506,790 thousand net.

On 16 December 2021, in connection with the change in the scope of Work, by Annex 4 to the Agreement, the contract amount was increased by PLN 26,495 thousand net to PLN 3,664,208 thousand net, including Polimex Mostostal's share increased by PLN 10,480 thousand net to PLN 1,517,270 thousand net.

On 28 February 2020, Polimex Mostostal S.A. entered into an agreement with PKO BP to issue, on behalf of Polimex Mostostal, a bank guarantee for the return of the advance payment. Under the terms of the agreement, PKO BP issued a guarantee for PLN 47,360 thousand valid until 31 March 2023.

The above guarantee was replaced by the INTESA SANPAOLO S.A. bank issued on 11 February 2021, at the request of Polimex Mostostal, on behalf of the Contractor. Branch in Poland with an advance refund guarantee for the amount of PLN 47,360 thousand with an expiry date of 31 March 2023.

The amount of the guarantee is subject to reduction after the completion of the next Contact Execution Stage, in accordance with the Material and Financial Schedule. On 16 February 2022, the above guarantee was reduced to PLN 40,313 thousand (amendment 7).

On 11 February 2021, Polimex Mostostal provided the Ordering Party with a bank performance bond issued at the request of Polimex Mostostal, on behalf of the Contractor, by INTESA SANPAOLO S.A. bank. Branch in Poland for the amount of: pLN 135,335 thousand with an expiry date of 11 January 2024.

On 10 February 2021, Polimex Mostostal provided the Ordering Party with a performance bond issued at the request of Polimex Mostostal, on behalf of the Contractor, by STU Ergo Hestia S.A. for the amount of PLN 50,000 thousand with expiry date until 11 January 2024.

On 4 January 2022, the amount of the guarantee issued by INTESA SANPAOLO S.A. bank was increased by PLN 1,289 thousand to PLN 136,624 thousand.

Czechnica Combined Heat and Power Plant

On 23 June 2021, an agreement was concluded between: Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A. and the Consortium consisting of: Polimex Mostostal S.A. (Consortium Leader), Polimex Energetyka Sp. z o.o. (Consortium Partner). The subject of the Agreement is the turnkey construction of a gas-steam combined heat and power plant in Siechnice, which will consist of a gas-steam unit, a peak load boiler house and a heat accumulator, which will allow to achieve the thermal power of 315 MWT and the electrical power of 179 MWE. The modern 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 related maintenance contract is PLN 25 million net + EUR 21.7 million. The implementation of the Task consists of two stages of work: Stage

(in PLN thousand)

I: Construction of a Peak and Reserve Boiler System with District Heating Networks. The deadline for handing over the facility to the Contracting Authority is 22 months from the commencement of the Works under the terms of the Contractphase II: Construction of a Gas-Steam Unit with Heat Accumulator. The deadline for handing over the CHP Plant to the Contracting Authority for operation is 34 months from the commencement of the Works under the terms of the Contract. Under the provisions of the Agreement, the Contractor will provide a quality guarantee and a basic warranty for the subject of the agreement, covering a period of 24 months, and an extended warranty of 60 months for civil works, chemical-resistant linings, anti-corrosion protection and GIS switchgear. The Basic Warranty Period and the Extended Warranty Period shall be extendable in contractual cases but, subject to such extensions, shall not last longer than 36 and 72 months respectively from the date on which they commenced. On 22 July 2021, Polimex Mostostal S.A., as part of the grant of INTESA SANPAOLO S.P.A. S.A. of a limit agreement for a guarantee line, obtained a bank guarantee for the return of the advance payment in the amount of PLN 142,579 thousand valid until 30 June 2024. The guarantee was issued for the Consortium of Companies composed of: Polimex Mostostal S.A. (Consortium Leader) and Polimex Energetyka Sp. z o.o. (Consortium Partner). On 24 December 2021, Amendment No. 1 reduced the value of the advance refund guarantee to PLN 140,369 thousand. On 21 June 2021, an insurance performance bond was issued for the Consortium of Companies consisting of: Polimex Mostostal S.A. (Consortium Leader) and Polimex Energetyka Sp. z o.o. (Consortium Partner), by Sopockie Towarzystwo Ubezpieczeń ERGO Hestia S.A. for the amount of: pLN 23,000 thousand with an expiry date of 30 May 2025. On 23 June 2021, an insurance performance bond issued for the Consortium of Companies consisting of: Polimex Mostostal S.A. (Consortium Leader) and Polimex Energetyka Sp. z o.o. (Consortium Partner), by PZU S.A. for the amount: pLN 20,000 thousand with an expiry date of 30 May 2025. The above guarantee was replaced by the INTESA SANPAOLO S.P.A. bank issued on 26 October 2021, at the request of Polimex Mostostal S.A., on behalf of the Contractor. S.A. Branch in Poland with a performance bond for the amount of PLN 20,000 thousand with a validity period of 30 May 2025.

7.5. Other operating revenues

	Year ended 31 December 2021	Year ended 31 December 2020
Profit from sale of tangible fixed assets	-	1,059
Release of revaluation allowances for fixed assets	-	1,938
Release of provision for litigation	2,484	8,383
Release of other reserves	703	7,008
Release of revaluation write-downs	5,096	-
Gain on a bargain purchase	10,876	-
Revaluation of investment property and tangible fixed assets at fair value	14,457	400
Damages and penalties obtained	1,105	1,577
Court settlement	38	389
Cancellation of liabilities	2,118	3,241
Other	5,968	1,950
Total other operating revenues	**42,845**	**25,945**

(in PLN thousand)

7.6. Other operating costs

	Year ended 31 December 2021	Year ended 31 December 2020
Creation of write-downs value of non-financial fixed assets	-	4,981
Provision for litigation	198	-
Creation of inventory write-downs	1,676	1,434
Liquidation costs of fixed and current assets	51	643
Damages and penalties	1,372	1,282
Court costs and costs of unsuccessful court cases	4,569	1,231
Write-off and impairment of receivables	1,923	-
Other	1,957	1,547
Total other operating costs	**11,746**	**11,118**

7.7. Financial income

	Year ended 31 December 2021	Year ended 31 December 2020
Bank interest income	223	3,164
Interest income on late payment of receivables	1,161	1,547
Foreign exchange gains	-	7,968
Adjustment for discounting of settlements	-	2,609
Profit from sale of financial assets	261	4
Release of provisions for financial costs	45	31
Amendment to the terms and conditions of the bond issue	-	2,793
Other	223	16
Total financial income	**1,913**	**18,132**

7.8. Financial costs

	Year ended 31 December 2021	Year ended 31 December 2020
Interest on bankloans and borrowings	2,407	6,117
Interest and commissions on bonds	6,343	15,699
Interest on other liabilities	951	760
Financial costs of leasing contracts	1,420	1,187
Foreign exchange losses	8,432	-
Bank commissions on guarantees and loans	1,750	923
Costs of a material change to the terms and conditions of a bond issue	-	2,960
Costs of early repayment of loans	-	206
Valuation of long-term settlements at amortised cost	375	-
Other	413	1,198
Total financial costs	**22,091**	**29,050**

(in PLN thousand)

7.9. Costs by type

	Year ended 31 December 2021	Year ended 31 December 2020
Depreciation	36,855	37,344
Consumption of materials and energy	801,319	441,056
External services, including construction	862,536	594,458
Taxes and charges	14,632	14,328
Employee benefits costs	477,584	411,507
Other costs by nature	9,977	7,086
Total costs by type	**2,202,903**	**1,505,779**
Items included in cost of sales	(26,576)	(21,035)
Items included in general administrative expenses	(74,092)	(70,374)
Value of goods and materials sold	28,566	19,149
Change in products	(38,237)	1,091
Production cost of benefits for own needs of the entity	(455)	(413)
Cost of goods sold	**2,092,109**	**1,434,197**

Costs from short-term leases and leases of low-value assets incurred during 2021 amounted to PLN 33,445 thousand, in 2020 they amounted to PLN 36,506 thousand. These costs are presented as an element of cost of external services.

7.10. Depreciation costs recognised in profit and loss account

	Year ended 31 December 2021	Year ended 31 December 2020
Items included in costs of goods sold	34,519	34,972
Depreciation of fixed assets	34,295	34,635
Depreciation of intangible assets	224	337
Items included in cost of sales	683	723
Depreciation of fixed assets	673	713
Depreciation of intangible assets	10	10
Items included in general administrative expenses	1,653	1,649
Depreciation of fixed assets	1,482	1,574
Depreciation of intangible assets	171	75
Total depreciation and impairment allowances	**36,855**	**37,344**

7.11. Employee benefits costs

	Year ended 31 December 2021	Year ended 31 December 2020
Remuneration	384,649	326,733
Social security costs	68,855	58,950
Pension costs	1,335	1,485
Jubilee awards	86	102
Other post-employment benefits	1,178	2,133
Write-offs for the Company Social Benefits Fund	6,618	6,489
Other (of which: working clothes, cleaning agents)	14,863	15,615
Total employee benefits costs	**477,584**	**411,507**

8. Income tax

8.1. Current income tax

The main components of tax expense for the year ended 31 December 2021 and the year ended 31 December 2020 are as follows:

(in PLN thousand)

	Year ended 31 December 2021	Year ended 31 December 2020
Consolidated profit and loss account		
Current income tax expense	8,649	15,380
Foreign income tax for previous years	(20)	-
Deferred income tax	11,784	391
Tax expense from continuing operations as shown in the consolidated profit and loss account	**20,413**	**15,771**
Consolidated comprehensive income statement		
Deferred income tax on revaluation of land and buildings	2,287	(72)
Deferred income tax relating to the measurement of post-employment benefit liabilities	434	(120)
Tax expense from continuing operations as shown in the consolidated statement of comprehensive income	**2,721**	**(192)**

Income tax on the Group's profit before tax differs as follows from the theoretical amount that would be obtained by applying the weighted average tax rate (applicable to the consolidated companies' profits):

	Year ended 31 December 2021	Year ended 31 December 2020
Profit / (loss) before taxation	**107,438**	**78,981**
	20,413	15,006
Tax at Poland's statutory tax rate of 19% in 2021 (2020: 19%)		
Tax effects of the following items:		
- Non-taxable income	(2 446)	(5 000)
- Non-deductible costs	4,151	5,795
- Adjustments related to current income tax of previous years	137	-
- Recognition of deferred tax assets not recognised in previous years	(2 220)	-
- Tax losses and deductible temporary differences for which no deferred tax asset was recognised	777	4,477
- Costs that are deductible for tax purposes and are not recognised in the income statement	(300)	(673)
- Differences in the tax rate of foreign entities and small taxpayers	(2)	8
- Recognition by the capitals of the deferred tax liability on the capital element of the bonds issued	-	(5 414)
- Other	(97)	1,572
Charges to the financial result due to income tax	**20,413**	**15,771**

(in PLN thousand)

8.2. Deferred income tax

The movement in deferred tax assets and liabilities during the year (before taking into account their offsetting within a single tax jurisdiction), is as follows:

Deferred tax liability	Temporary differences on fixed assets	Valuation of contracts	Exchange rate differences	Other	Equity element of bonds	Total
As at 1 January 2020	-	**26,528**	**34**	**3,677**	**-**	**30,239**
Charge / (recognition) the financial result	-	(2,555)	332	(2,942)	(5,052)	(10,217)
Charge / (recognition) equity	-	-	-	-	6,838	6,838
As at 31 December 2020	-	**23,973**	**366**	**735**	**1,786**	**26,860**
Charge / (recognition) the financial result	10,249	(19,717)	(272)	1,563	(559)	(8,736)
Charge / (recognition) equity	2,287	-	-	-	-	2,287
Acquisition of control of a new entity	3,875	12		14	-	3,901
As at 31 December 2021	**16,411**	**4,256**	**94**	**2,312**	**1,227**	**24,300**
Net presentation of deferred tax assets and liabilities including offsetting within a single tax jurisdiction						(21,279)
Deferred tax liability in the balance sheet						**3,021**

(in PLN thousand)

Deferred tax assets	Temporary differences on fixed assets	Employee benefit liabilities	Exchange rate differences	Inventory write-downs	Impairment losses on receivables	Valuation of contracts	Provisions	Tax losses	Debt financing limit	Other	Total
As at 1 January 2020	**1,487**	**11,232**	**64**	**1,502**	**12,102**	**33,893**	**24,526**	**100,846**	**8,033**	**14,796**	**208,481**
Recognition / (charge) of financial result	7,903	1,816	(64)	2	2,281	36,726	2,453	(39,988)	(8,033)	(13,704)	(10,608)
Recognition/(charge) of other comprehensive income	72	120	-	-	-	-	-	-	-	-	192
Recognition / (charge) of equity	(2,548)	-	-	-	-	-	-	-	-	-	(2,548)
As at 31 December 2020	**6,914**	**13,168**	**-**	**1,504**	**14,383**	**70,619**	**26,979**	**60,858**	**-**	**1,092**	**195,517**
Recognition / (charge) of financial result	8,778	3,417	-	73	(3,149)	(17,617)	14,341	(28,515)	102	1,227	(21,343)
Recognition/(charge) of other comprehensive income	-	434	-	-	-	-	-	-	-	-	434
Recognition / (charge) of equity	-	213	-	2	784	207	578	1,482	-	(1,010)	2,256
As at 31 December 2021	**15,692**	**17,232**	**-**	**1,579**	**12,018**	**53,209**	**41,898**	**33,825**	**102**	**1,309**	**176,864**
Net presentation of deferred tax assets and liabilities including offsetting within a single tax jurisdiction											(21,279)
Deferred tax assets in the balance sheet											**155,585**

(in PLN thousand)

Deferred tax assets and liabilities are as follows:

	Status as of 31 December 2021	Status as of 31 December 2020
Deferred tax assets:		
before offsetting		
- to be implemented after 12 months	27,051	46,638
- to be implemented within 12 months	149,813	148,879
	176,864	**195,517**
Deferred tax liability:		
before offsetting		
- to be implemented after 12 months	8,354	1,072
- to be implemented within 12 months	15,946	25,788
	24,300	**26,860**

As at 31 December 2021 the Group had PLN 178,026 thousand. of unused tax losses (which mostly comprised losses of PLN 40,300 thousand in Polimex Mostostal S.A and PLN 120,908 thousand in Polimex Energetyka Sp. z o.o.). The value of recognised deferred tax assets due to the existence of unused tax losses amounted to PLN 33,825 thousand. As at 31 December 2021, there are unrecognised tax loss assets in the subsidiary Energomontaż-Północ Bełchatów Sp. z o.o. The Group has carried out an analysis of the recoverability of tax loss assets based on expected tax results and additional non-recurring events favouring the recoverability of tax losses incurred in prior periods. The analysis was prepared using best estimates in the most likely expected scenario. Changing individual assumptions and eliminating non-recurring events from the analysis that support the recoverability of losses could lead to different conclusions regarding the amount of losses that can be accounted for. The analysis performed is sensitive in particular to changes in the amount of expected tax revenue and tax costs generated by operating activities. The main limitation on the possibility of tax loss relief is the 5-year period established in the legislation over which tax losses can be offset. According to the analysis performed, the Group will use the tax loss assets in the periods: 2022 (amounting to PLN 74,625 thousand), 2023 (amounting to PLN 38,115 thousand), 2024 (amounting to PLN 42,015 thousand), 2025 (amounting to PLN 13,412 thousand) and 2026 (amounting to PLN 9,859 thousand). One-off events supporting the recoverability of tax losses relate in particular to the achievement of additional tax income of PLN 75,315 thousand due to: acquisition of additional significant projects in the power sector by Polimex Energetyka Sp. z o.o. The Management Board of the Company assesses that the occurrence of the above one-off events is highly probable.

9. Earnings per share

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

The Group has financial liabilities in respect of convertible bonds. The profit and share figures used to calculate earnings per share are set out below:

(in PLN thousand)

	Year ended 31 December 2021	Year ended 31 December 2020
Net profit / (loss)	**89,990**	**66,226**
Adjustment to net profit/(loss) - interest expense on convertible bonds	5,138	12,716
Net profit / (loss) after adjustment for calculation of diluted loss per share	**95,128**	**78,942**
number of shares registered at the balance sheet date	236,618,802	236,618,802
weighted average number of ordinary shares used in the calculation of ordinary loss per share	236,618,802	236,618,802
Dilutive potential ordinary shares related to convertible bonds	48,000,000	48,000,000
Total number of shares used in calculation of diluted earnings / (loss) per share	284,618,802	284,618,802
Basic earnings per share attributable to shareholders of the parent company (in PLN)	**0.380**	**0.280**
Diluted earnings per share attributable to shareholders of the parent company (in PLN)	**0.334**	**0.277**

10. Didividends paid and proposed to be paid

The parent company did not declare or pay dividends in 2021. The Parent does not expect to pay a dividend in 2022 for the financial year ended 31 December 2021.

(in PLN thousand)

11. Tangible fixed assets

11.1. Tables of movements of tangible fixed assets

The following table shows the net value of tangible fixed assets as at 31 December 2021

	Land, buildings and structures	Machinery and equipment	Means of transport	Other tangible fixed assets	Tangible fixed assets under construction	Advances for tangible fixed assets under construction	Total
Own tangible fixed assets	260,303	102,966	10,746	2,850	5,083	64	382,012
Assets from rights of use	23,617	3,446	12,689	3,047	-	-	42,799
Total tangible fixed assets	**283,920**	**106,412**	**23,435**	**5,897**	**5,083**	**64**	**424,811**

The following table shows our own tangible fixed assets as at 31 December 2021.

	Land, buildings and structures	Machinery and equipment	Means of transport	Other tangible fixed assets	Tangible fixed assets under construction	Advances for tangible fixed assets under construction	Total
Net valueas at 1 January 2021	**244,022**	**105,606**	**11,147**	**2,768**	**11,424**	-	**374,967**
Acquisition of tangible fixed assets	691	9,686	826	1,222	3,834	1,274	**17,533**
Decrease/increase due to settlement of a tangible fixed asset under construction	189	2,537	64	352	(3,142)	-	**-**
Decrease/increase due to settlement of advance payment	-	-	-	-	1,210	(1,210)	**-**
Sale and liquidation of tangible fixed assets	(2,882)	(330)	(218)	(25)	-	-	**(3,455)**
Value update	15,465	-	-	-	(492)		**14,973**
Obtaining control over a subsidiary	8,506	708	211	3	-	-	**9,428**
Reclassification from/to assets held for sale	-	-	-	-	(7,194)	-	**(7,194)**
Other reclassification	4,184	-	-	-	(567)	-	**3,617**
Exchange rate differences	433	418	36	16	10	-	**913**
Depreciation charge for the financial period	(10,305)	(15,659)	(1,320)	(1,486)	-	-	**(28,770)**
Net value at 31 December 2021	**260,303**	**102,966**	**10,746**	**2,850**	**5,083**	**64**	**382,012**
On 1 January 2021							
Gross value	**277,282**	**327,571**	**35,306**	**24,536**	**21,366**	**-**	**686,061**
Depreciation and impairment allowance	**(33,260)**	**(221,965)**	**(24,159)**	**(21,768)**	**(9,942)**	**-**	**(311,094)**
Net value	**244,022**	**105,606**	**11,147**	**2,768**	**11,424**	**-**	**374,967**
As at 31 December 2021							
Gross value	**276,387**	**331,599**	**34,440**	**23,254**	**6,473**	**64**	**672,217**

(in PLN thousand)

Depreciation and impairment allowance	(16,084)	(228,633)	(23,694)	(20,404)	(1,390)	-	(290,205)
Net value	**260,303**	**102,966**	**10,746**	**2,850**	**5,083**	**64**	**382,012**

The following table presents the rights to use assets recognised under the lease agreements as at 31 December 2021.

	Land, buildings and structures	Machinery and equipment	Means of transport	Other tangible fixed assets	Total
Net value at 1 January 2021	**23,701**	**668**	**4,509**	**1,471**	**30,349**
Conclusion of new lease agreements	873	3,224	11,345	2,927	**18,370**
Termination of leasing contracts	(3)	(15)	(24)	-	**(42)**
Obtaining control over a subsidiary	1,666	76	78	-	**1,820**
Depreciation charge for the financial period	(2,620)	(507)	(3,219)	(1,351)	**(7,697)**
Net value at 31 December 2021	**23,617**	**3,446**	**12,689**	**3,047**	**42,799**
On 1 January 2021					
Gross value	**27,987**	**1,076**	**8,711**	**3,417**	**41,191**
Depreciation and impairment allowance	**(4,286)**	**(408)**	**(4,202)**	**(1,946)**	**(10,842)**
Net value	**23,701**	**668**	**4,509**	**1,471**	**30,349**
As at 31 December 2021					
Gross value	**30,544**	**4,345**	**17,429**	**4,190**	**56,508**
Depreciation and impairment allowance	**(6,927)**	**(899)**	**(4,740)**	**(1,143)**	**(13,709)**
Net value	**23,617**	**3,446**	**12,689**	**3,047**	**42,799**

(in PLN thousand)

The table below shows the net value of tangible fixed assets as at 31 December 2020.

	Land, buildings and structures	Machinery and equipment	Means of transport	Other tangible fixed assets	Tangible fixed assets under construction	Total
Own tangible fixed assets	244,022	105,606	11,147	2,768	11,424	374,967
Right-of-use assets	23,701	668	4,509	1,471	-	30,349
Total tangible fixed assets	**267,723**	**106,274**	**15,656**	**4,239**	**11,424**	**405,316**

The table below shows our own tangible fixed assets as at 31 December 2020.

	Land, buildings and structures	Machinery and equipment	Means of transport	Other tangible fixed assets	Tangible fixed assets under construction	Total
Net value at 1 January 2020	**253,086**	**113,603**	**11,980**	**3,046**	**6,207**	**387,922**
Acquisition of tangible fixed assets	2,571	6,933	941	1,234	4,321	**16,000**
Decrease/increase due to settlement of tangible fixed assets under construction	413	581	-	43	(1,037)	**-**
Sale and liquidation of tangible fixed assets	-	(134)	(97)	(8)	-	**(239)**
Value update	(380)	-	-	-	1,938	**1,558**
Reclassification from/to assets held for sale	(17)	162	6	(66)	-	**85**
Exchange rate differences	(651)	(773)	(80)	(35)	(5)	**(1,544)**
Depreciation charge for the financial period	(11,000)	(14,766)	(1,603)	(1,446)	-	**(28,815)**
Net value at 31 December 2020	**244,022**	**105,606**	**11,147**	**2,768**	**11,424**	**374,967**
On 1 January 2020						
Gross value	**275,619**	**329,588**	**36,296**	**26,510**	**20,421**	**688,434**
Depreciation and impairment allowance	**(22,533)**	**(215,985)**	**(24,316)**	**(23,464)**	**(14,214)**	**(300,512)**
Net value	**253,086**	**113,603**	**11,980**	**3,046**	**6,207**	**387,922**
As at 31 December 2020						
Gross value	**277,282**	**327,571**	**35,306**	**24,536**	**21,366**	**686,061**
Depreciation and impairment allowance	**(33,260)**	**(221,965)**	**(24,159)**	**(21,768)**	**(9,942)**	**(311,094)**
Net value	**244,022**	**105,606**	**11,147**	**2,768**	**11,424**	**374,967**

(in PLN thousand)

The following table presents the rights to use assets recognised under the leases entered into as at 31 December 2020.

	Land, buildings and structures	Machinery and equipment	Means of transport	Other tangible fixed assets	Total
Net value at 1 January 2020	**11,342**	**3,745**	**3,999**	**854**	**19,940**
Conclusion of new lease agreements	15,100	135	3,308	2,234	**20,777**
Termination of leasing contracts	(17)	(2,528)	(56)	(66)	**(2,667)**
Revaluation of lease contracts	406	-	-	-	**406**
Depreciation charge for the financial period	(3,130)	(684)	(2,742)	(1,551)	**(8,107)**
Net value at 31 December 2020	**23,701**	**668**	**4,509**	**1,471**	**30,349**
On 1 January 2020					
Gross value	**14,474**	**4,727**	**7,338**	**2,191**	**28,730**
Depreciation and impairment allowance	**(3,132)**	**(982)**	**(3,339)**	**(1,337)**	**(8,790)**
Net value	**11,342**	**3,745**	**3,999**	**854**	**19,940**
As at 31 December 2020					
Gross value	**27,987**	**1,076**	**8,711**	**3,417**	**41,191**
Depreciation and impairment allowance	**(4,286)**	**(408)**	**(4,202)**	**(1,946)**	**(10,842)**
Net value	**23,701**	**668**	**4,509**	**1,471**	**30,349**

(in PLN thousand)

11.2. Fair values of land, buildings, structures.

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses, except for the class of assets defined as property and constructions permanently attached to land, i.e. property developed with a complex of warehouse, industrial and office buildings ("Land and buildings"). The above asset class is measured at fair value starting from October 2013.

A valuation of tangible fixed assets was carried out in 2021. As a result of the revaluation, the Group recognised in the income statement other operating revenues of PLN 3,461 thousand and in the statement of other income, income of PLN 9,756 thousand. The value of tangible assets subject to the revaluation model, if the Group did not carry out the valuation, would amount to PLN 169,560 thousand as at 31 December 2021.

The valuations were prepared by independent valuers. The income approach, the investment method and the comparative method were applied. The techniques used for the valuation were based on unobservable inputs

The table below shows the fixed assets that were subject to fair value measurement at 31 December 2021 The different levels are defined as follows:

Quoted prices (unadjusted) from active markets for identical assets or liabilities (level 1).

Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. in the form of prices) or indirectly (i.e. through price-based calculations) (Level 2).

Inputs for the measurement of an asset or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

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

	Level 3	Fair value at 31 December 2021
Real estate with a complex of warehousing and storage buildings industrial and office	60,341	60,341
Total	**60,341**	**60,341**

	Level 3	Fair value at 31 December 2019
Real estate with a complex of production and warehouse buildings industrial and office	195,440	195,440
Total	**195,440**	**195,440**

Information on fair value measurements made during the period using significant unobservable inputs:

(in PLN thousand)

Valuation technique	Unobservable data	Range of unobservable data (probability weighted average)	Relationship between unobservable inputs and fair value
Real estate with a complex of buildings of a warehouse, industrial and office character, including land constituting a part of the real estate with a complex of buildings of a production, office and warehouse character			**60,341**
Income approach, investment method, income stream discounting technique	Rental rate	- the average price per square metre of comparable properties PLN 12.10 for warehouse purpose (Jasło district),	An increase in the average price per square metre drives up property values (and vice versa)
		- average price per square metre of comparable properties : pLN 8 - 20 per metre for warehouse and production space; PLN 25 - 32 per metre for office space; PLN 3 per metre for storage yards (Płock county);	
		- average price per square metre of comparable real estate in the district of Krosno: 9 - 13 zł warehouse space; 17 - 22 zł office space; 2.5 zł storage space (Krosno district);	
		- average price per metre of comparable properties: pLN 19.18 - 30.50 per square metre per month for office properties (Siedlce county);	
		- average price per metre of comparable properties: 20 - 60 - PLN per square metre per month for above-ground parking spaces (Siedlce County);	
	All Risks Equivalent Yield	The rate of return was applied taking into account the type of property and the prevailing market conditions, the technical condition of the building: 8,25% - 9,00%	A small increase in the rate applied would result in a significant decrease in the fair value of the property (and vice versa).
Comparative approach, average price method	Average price per square metre of comparable land according to purpose	- average price per square metre of comparable properties PLN 1564.09 (Sokolowski County), correction coefficient W=1.2364 and W= 1.1684;	An increase in the average price per square metre drives up property values (and vice versa)
Income approach, investment method, simple capitalisation technique	Rental rate	- average price per square metre of comparable properties PLN 11 - 15 (Bełchatów county);	An increase in the average price per square metre drives up property values (and vice versa)
	Capitalisation rate	A capitalisation rate was applied taking into account the capitalisation of income potential, type of property and prevailing market conditions: 10%	A small increase in the rate applied would result in a significant decrease in the fair value of the property (and vice versa).
Real estate with a complex of production, office and warehouse buildings			**195,440**
Income approach, investment method,	Capitalisation rate	A capitalisation rate was applied taking into account the capitalisation of income potential, type of property and prevailing market conditions: 9,0 - 11,5%.	A small increase in the capitalisation rate applied would result in a significant decrease in the fair value of the property (and vice versa).

(in PLN thousand)

simple capitalisation technique	Rental rate	- 6 - 14 PLN per square metre per month for properties intended for production, office and storage (Nisko district);	A significant increase in market rent would result in a significant increase in fair value (and vice versa).
		- pLN 15 - 21 per square metre per month for production-office-warehouse properties (Siedlce county);	
		- pLN 20 - 35 per square metre per month for office properties; PLN 12 - 20 per square metre for workshop and warehouse properties with social facilities; PLN 10 - 15 per square metre for warehouse and workshop properties without social facilities; PLN 2 - 5 per square metre for storage yard properties (in the Lublin district).	
Comparative approach (land)	Average price per square metre of comparable properties depending on intended use	- average price per square metre of comparable properties PLN 200 per square metre (Lublin county):	An increase in the average price per square metre drives up property values (and vice versa)
Comparative approach, pair-wise comparison method (land)	Average price per square metre of comparable land according to purpose	- average price per square metre of comparable real estate 124.50 PLN (Siedlce county) correction coefficient K=0.90, average price per square metre of the perpetual usufruct right to land 99.60 PLN (Siedlce county);	
		- average price per square metre of comparable real estate PLN 102.72 (Siedlce county) correction coefficient K=0.909;	
		- average price per square metre of comparable properties 1564.09 PLN (Sokolowski County), correction coefficient W=1.2364 and W= 1.1684;	
		- average price per square metre of comparable real estate PLN 33.28 (Nisko county); correction factor K= 0.955;	

12. Investment properties

Rental income generated by investment properties amounted to PLN 3,485 thousand in 2021 and PLN 2,799 thousand in 2020. Direct operating expenses relating to investment properties that generated rental income amounted to PLN 949 thousand in 2021 and PLN 729 thousand in 2020.

Investment properties are carried at fair value. A fair value estimate was carried out in 2021.

The valuations were prepared by independent valuers. The income approach, the investment approach, the simple capitalisation technique and the comparative approach, the pairwise comparison method, were used. The techniques used for valuation were based on unobservable inputs. For land, there has been a change in valuation technique, moving from the comparative approach to the income approach. The valuer determined that after taking into account the purpose and scope of the valuation, the intended use of the property, its legal and development status and market information about similar properties, the appropriate procedure to determine the market value of the property would be the income approach, investment method, simple capitalization technique.

The table below shows the investment properties that were subject to fair value measurement as at 31 December 2021. The different levels are defined as follows:

- Quoted prices (unadjusted) from active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. in the form of prices) or indirectly (i.e. through price-based calculations) (Level 2).
- Inputs for the measurement of an asset or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

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

The following table presents information on the fair value measurement performed during the period using significant unobservable inputs:

(in PLN thousand)

Property description:
Real estate developed with a complex of buildings of production, office and warehouse character with a fair value as at 31 December 2021 of PLN 21,761 thousand.

(a) Income approach, investment approach, simple capitalisation technique		
Unobservable data	**Range of unobservable data (probability weighted average)**	**Relationship between unobservable inputs and fair value**
Capitalisation rate	A capitalisation rate was applied taking into account the capitalisation of income potential, type of property and prevailing market conditions: 11%	A small increase in the capitalisation rate applied would result in a significant decrease in the fair value of the property (and vice versa).
Rental rate	- pLN 20 - 35 per square metre per month for office properties; - PLN 12 - 20 per square metre for workshop and warehouse properties with social facilities; - pLN 10-15 per square metre for warehouse and workshop space without social facilities; - 2 - 5 PLN per square metre of storage yard area (Lublin district).	A significant increase in market rent would result in a significant increase in fair value (and vice versa)
	- pLN 1,255.10 per square metre per month for properties with production, office and warehouse use (Siedlce County)	

(b) Comparative approach			
Unobservable data		**Range of unobservable data (probability weighted average)**	**Relationship between unobservable inputs and fair value**
Approach comparative	Average price per square metre of comparable land according to purpose	- average price per square metre of comparable properties PLN 200 per square metre (Lublin county)	An increase in the average price per square metre drives up property values (and vice versa)
Approach comparative, method comparisons in pairs	Average price per square metre of comparable land according to purpose	- average price per square metre of comparable properties PLN 93.37 (Siedlce county), correction coefficient K=1.10;	

13. Goodwill on consolidation and net assets of Mostostal Siedlce

	As at 31 December 2021	As at 31 December 2020
Power segment	91,220	91,220
Total	**91,220**	**91,220**

In accordance with IAS 36, the management of Polimex Mostostal S.A. has performed impairment tests as at 31 December 2021 on goodwill on consolidation arising in prior periods. The operating segment level is the level at which Group Management monitors goodwill. Goodwill for 2021 was fully allocated to the Power sector operating segment.

The following table presents the main financial data, the assumptions used in the test and the test results:

Financial data and test results				
Segment	Tested value	Estimated use value	Impairment	Goodwill
Power sector	116,600	496,558	-	91,220
Main assumptions				

Segment	Weighted average cost of capital (WACC)	Average operating profitability in the forecast period	Average annual expected sales revenue	Constant growth rate after the forecast period
Power sector	8,48%	4,99%	871,411	1,00%

The value tested included goodwill and net assets attributable to the power generation segment (Polimex Energetyka Sp. z o.o.). The adjusted discounted cash flow value of the power generation segment (value in use) was estimated at PLN 496,558 thousand. The valuation was performed with the following assumptions: weighted average cost of capital (WACC): 8.48%, growth rate after the forecast period: 1.0%, average return on operating profit over the forecast period: 4.99%, average annual expected sales revenue of the power sector segment: pLN 871,411 thousand.

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

Due to the failure to meet the profit forecasts of the subsidiary Mostostal Siedlce Sp. z o.o. Sp.k. The Group performed an impairment test on the net assets of this company recognised in the consolidated financial statements.

	As at 31 December 2021	As at 31 December 2020
Net assets of Mostostal Siedlce	227,549	217,503
Total	**227,549**	**217,503**

The following table presents the main financial data, the assumptions used in the test and the test results:

Financial data and test results		
Tested value	Estimated use value	Impairment
228,610	351,905	-

The value tested included net assets attributable to Mostostal Siedlce Sp. z o.o. Sp.k. on a consolidated basis. The adjusted discounted cash flow value of the Company (value in use) was estimated at PLN 351,905 thousand. The valuation was performed with the following assumptions: weighted average cost of capital (WACC): 8.20%, growth rate after the forecast period: 2.5%, average return on operating profit over the forecast period: 3.83%, average annual expected sales revenue: pLN 766,801 thousand.

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

14. Investments in associates accounted for using the equity method

The following table shows the balance sheet of the equity method consolidated entity:

	As at 31 December 2021	As at 31 December 2020
Current assets	13,807	11,273
Fixed assets	7,378	7,317
Short-term liabilities	3,572	1,674
Long-term liabilities and provisions	3,068	2,822
Net assets	14,545	14,094
	Year ended 31 December 2021	**Year ended 31 December 2020**
Sales revenues	20,560	19,582
Net profit from continuing operations	451	1,473
Total income	451	1,473
Share in profit of associate	112	367

15. Inventories

	As at 31 December 2021	As at 31 December 2020
Materials	82,793	36,406

(in PLN thousand)

Goods	412	224
Work in progress	68,284	36,155
Finished products	36,081	26,528
Total inventories	**187,570**	**99,313**

16. Trade receivables and other receivables

Trade receivables are non-interest bearing and typically have a payment term of between 30 and 180 days.

The terms of related party transactions are set out in note 30.

	As at 31 December 2021	As at 31 December 2020
Trade receivables:	**374,326**	**516,493**
- from related parties	33,829	53,177
- from other entities	340,497	463,316
Other receivables:	**38,928**	**23,731**
Budgetary receivables:	30,181	13,988
- on account of VAT	23,434	12,914
- on account of income tax	3,752	567
- other	2,995	507
Advances on materials	182	4,106
Other receivables	8,565	5,637
Total receivables (net)	**413,254**	**540,224**
Write-downs on receivables	112,779	88,060
Total receivables (gross)	**526,033**	**628,284**

Significant change in trade receivable balances is due to the invoicing and realisation of repayments on ongoing strategic contracts: Puławy and Dolna Odra. See Note 7.4 for a description of the status of these contracts.

Changes in the allowance for trade receivables:

	As at 31 December 2021	As at 31 December 2020
Impairment loss at the beginning of the period	83,082	70,558
Increases of which:	**30,952**	**12,871**
- creation of an allowance for accounts receivable	25,522	12,871
- obtaining control over a new subsidiary	5,430	-
Decreases of which:	**6,909**	**604**
- use of	2,554	178
- repayment	4,355	351
- reclassification of write-downs on deposits	-	75
Conversion due to recognition of allowance for expected credit losses	**435**	**257**
Impairment loss at the end of the period	**107,560**	**83,082**

The increase in write-downs in the current reporting period is mainly related to outstanding receivables from the contractor Hamon Enviroserv GmbH, which went into liquidation. The Group performed for him the production of supporting steel structures, steel elements for bag filters, flue gas ducts, as well as ex-construction transport and assembly/disassembly as part of an investment involving the construction of flue gas dedusting systems at a power plant in Duisburg.

17. Financial instruments - impairment

Calculation of allowance for expected credit losses for non-productive activities:

(in PLN thousand)

	Current and 30 days after the due date	Overdue			Total
		from 31 to 90 days	from 91 to 180 days	over 181 days	
Non-productive activities					
Ratio	0,05%	0,37%	2,19%	10,47%	
Allowance for expected credit losses	104	4	23	620	751
Production activities					
Ratio	0,00%	5,17%	20,79%	0,36%	
Allowance for expected credit losses	-	13	188	16	217

Low ratio of the allowance for expected credit losses for receivables past due more than 180 days is due to the fact that these balances are covered by individual impairment allowances. Expected credit losses for financial assets past due more than 180 days are recognised within impaired assets.

The value of individual impairment losses on trade receivables as at 31 December 2021 amounted to PLN 108,597 thousand and deposits to PLN 12,153 thousand.

The table below shows the gross value, the value of impairment losses and the net value for each category of financial instruments.

(in PLN thousand)

	As at 31.12.2021		
	12-month ECL	ECL for life - without loss of value	ECL over lifetime - impaired
Gross carrying amount	**883,530**	**464,366**	**124,911**
Trade receivables	-	375,011	106,875
Other receivables	-	8,355	5,429
Deposits due to the construction contracts	-	81,000	12,607
Cash and cash equivalents	883,530	-	-
Write-downs	**-**	**(1,372)**	**(124,368)**
Trade receivables	-	(968)	(106,592)
Other receivables	-	-	(5,219)
Deposits due to the construction contracts	-	(404)	(12,557)
Cash and cash equivalents	-	-	-
Carrying amount	**883,530**	**462,992**	**543**
Trade receivables	-	374,043	283
Other receivables	-	8,355	210
Deposits due to the construction contracts	-	80,596	50
Cash and cash equivalents	883,530	-	-

	As at 31.12.2020		
	12-month ECL	ECL for life - without loss of value	ECL over lifetime - impaired
Gross carrying amount	**367,754**	**587,902**	**119,898**
Trade receivables	-	493,297	106,278
Other receivables	-	5,409	5,206
Deposits due to the construction contracts	-	89,196	8,414
Cash and cash equivalents	367,754	-	-
Write-downs	**-**	**(1,465)**	**(94,528)**
Trade receivables	-	(1,248)	(81,834)
Other receivables	-	-	(4,978)
Deposits due to the construction contracts	-	(217)	(7,716)
Carrying amount	**367,754**	**586,437**	**25,370**
Trade receivables	-	492,049	24,444
Other receivables	-	5,409	228
Deposits due to the construction contracts	-	88,979	698
Cash and cash equivalents	367,754	-	-

(in PLN thousand)

18. Long-term construction contracts

The table below provides an explanation of the balance sheet changes relating to contract valuations for 2021.

	Status on 1 January 2021	Change in valuation of contracts	Revenue recognised in 2021 included in the balance of liabilities as at 1 January 2021	Change in the period during which the right to remuneration becomes unconditional	Change in advances received	As at 31 December 2021
Construction contracts assets	112,055	151,835	-	(123,012)	(75,883)	64,995
Construction contracts liabilities	(290,240)	(329,996)	207,968	-	(31,169)	(443,437)
Total	**(178,185)**	**(178,161)**	**207,968**	**(123 012)**	**(107,052)**	**(378,442)**

The significant increase in the balance of construction contracts liabilities is due to the progress of implementation and high invoicing as well as the advance payment received on the strategic contract: Puławy and Dolna Odra. See Note 7.4 for a description of the status of these contracts.

The value of revenue earned in 2021 relating to performance obligations realised in previous periods amounted to PLN 207,968 thousand.

The table below provides an explanation of the balance sheet changes relating to contract valuation for 2020.

	Situation on 1 January 2020	Change in valuation of contracts	Revenue recognised in 2020 included in the balance of liabilities as at 1 January 2020	Change in the period during which the right to remuneration becomes unconditional	Change in advances received	As at 31 December 2020
Construction contracts assets	145,349	131,646	-	(182,766)	17,826	112,055
Construction contracts liabilities	(54,092)	(207,737)	23,258	(6,640)	(45,029)	(290,240)
Total	**91,257**	**(76,091)**	**23,258**	**(189,406)**	**(27,203)**	**(178,185)**

The amount of the transaction price attributed to performance obligations that remain unfulfilled at the end of the reporting period to be fulfilled:

	As at 31 December 2021	As at 31 December 2020
(a) up to 1 year	3,116,204	1,741,505
(b) more than 1 year	1,658,180	1,621,462
Total	**4,774,384**	**3,362,967**

19. Cash and cash equivalents

	As at 31 December 2021	As at 31 December 2020

Cash at bank and in hand	759,827	353,004
Short-term deposits	123,703	14,750
Total	**883,530**	**367,754**
Restricted cash	*350,351*	*124,480*

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

Cash at the bank earns interest at variable interest rates, which depend on the interest rate on overnight bank deposits. Short-term deposits are made for various periods, ranging from one day to one month, depending on the Group's current cash requirements, and bear interest at the rates set for them.

The presented balance of restricted cash as at 31 December 2021 relates to funds which at that date were held in the project account held for the Puławy contract. This account is used to receive payments from the Ordering Party for services rendered and to make payments to subcontractors for work performed. Payments from this project account to subcontractors are made using the expenditure approval procedure of the independent technical advisor appointed for the contract in question.

20. Cash flow statement

A reconciliation of the change in balance sheet items during the reporting period to the changes shown in the cash flow statement is presented in the tables below:

	Year ended 31 December 2021	Year ended 31 December 2020
Change in receivables in the balance sheet	**189,056**	**(124,162)**
Adjustment for changes in the Group structure	12,958	-
Adjustment for receivables from the sale of tangible fixed assets	1,731	(72,363)
Adjustment of the change in receivables due to compensation	1,440	
Foreign exchange adjustment - valuation of foreign receivables	2,064	
Other	(103)	(23)
Change in receivables in the cash flow statement	**207,146**	**(196 548)**
Change in liabilities in the balance sheet	**324,960**	**294,891**
Adjustment for changes in the Group structure	(13,508)	-
Adjustment for investment purchase commitments	630	(2,938)
Adjustment for lease liabilities	(991)	375
Adjustment for valuation obligations on actuarial provisions recognised through comprehensive income	1,182	(631)
Adjustment on account of reclassification from minority capitals of liabilities on account of valuation of put option held by minority shareholders Energomontaż-Północ Bełchatów	2,500	3,016
Other	(915)	-
Change in liabilities in the cash flow statement	**313,858**	**294,713**

21. Assets held for sale

Under the terms of the Intercreditor Agreement dated 11 September 2014, as amended, the Issuer was entitled to dispose of certain assets. The assets disposed of included redundant property, organised parts of the company and development and investment properties, as well as selected operating properties. The following table presents financial data for those assets planned to be disposed of within one year of the balance sheet date.

	As at 31 December 2021	As at 31 December 2020
Tangible fixed assets	821	893
Investment properties	36,017	25,997

(in PLN thousand)

Assets held for sale	**36,838**	**26,890**

W 2021, the Company sold the property located at ul. Samsonowicza 6 in Ostrowiec Świętokrzyski. During 2021, due to the expected sale of the property located in Gdańsk and the property located in Kraków, the Company recognised an adjustment of the value of this property to the expected sale price and consequently increased their value by PLN 10,661 thousand. This amount increased the Company's current result in its entirety.

The extended disposal time is due to the specific nature of the above assets and the lengthy process of formal and legal conditions, as well as permits and administrative decisions, the timing of which is beyond the control of the Company and the buyer.

At 31 December 2021, investment properties presented within assets held for sale were measured at fair value based on signed contracts and offers received. It has been classified in level 1 of the fair value hierarchy.

	Level 1	Level 3	Fair value at 31 December 2021
Real estate with a complex of warehousing and storage buildings industrial and office	36,000	17	36,017
Total	36,000	**17**	**36,017**

	Level 1	Level 3	Fair value at 31 December 2020
Real estate with a complex of warehousing and storage buildings industrial and office	25,980	17	25,997
Total	25,980	**17**	**25,997**

22. Capital equity

22.1. Share capital

As at 31 December 2021, the share capital amounts to PLN 473 237 604 and is divided into 236 618 802 shares with a nominal value of PLN 2 each. The shares were fully paid up.

Share capital	As at 31 December 2021	As at 31 December 2020
A series ordinary shares	86 618 802	86 618 802
T series ordinary shares	150 000 000	150 000 000
Total	**236 618 802**	**236 618 802**

Shareholders' rights

Each share is entitled to 1 vote at the General Meeting of Shareholders. Shares of all series are equally preferred as to dividend and return on capital. According to information obtained from stock exchange announcements, the structure of shareholders holding, directly or indirectly through subsidiaries, at least 5% of the total number of votes at 31 December 2021 was as follows:

Shareholder	Number of shares/votes	% share in the share capital / total number of votes at the AGM
ENEA Spółka Akcyjna with its registered office in Poznań, ENERGA Spółka Akcyjna with its registered office in Gdańsk, PGE Polska Grupa Energetyczna Spółka Akcyjna with its registered office in Warsaw PGNiG Technologie Spółka Akcyjna with its registered office in Krosno - as Investors acting jointly and severally *	156,000,097	65,93%
Others - less than 5% of the share capital	80 618 705	34,07%
Number of shares of all issues	**236 618 802**	**100,00%**

* each investor held 16.48%

(in PLN thousand)

On 15 September 2021, one of the bondholders submitted a statement on the conversion of 3 series A bonds with a total nominal value of PLN 1,500 thousand 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 thousand.

Subsequently, on 16 December 2021, one of the bondholders submitted a declaration on the conversion of 2 series A bonds with a total nominal value of PLN 1,000 thousand 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 thousand.

As at 31 December 2021, the conversion of the 5 bonds was not registered and the shares had not been issued to the bondholder. Unregistered series S shares of 1,250,000 with a nominal value of PLN 2 each, i.e. with a total nominal value of PLN 2,500,000, as at 31 December 2021 were presented in the Company's balance sheet under Unregistered share issue.

On 16 February 2022, the aforementioned shares were registered in the bondholders' securities account and the Company's share capital was increased by PLN 2,500,000 (i.e. from PLN 473,237,604 to PLN 475,737,604).

On 16 March 2022, one of the bondholders submitted a statement on the conversion of 3 series A bonds with a total nominal value of PLN 1,500 thousand 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 thousand.

On 1 April 2022, 750,000 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 475,737,604 to PLN 477,237,604), which is divided into 238,618,802 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	
A series ordinary shares	86,618,802
T series ordinary shares	150,000,000
S series ordinary shares	2,000,000
Total	**238,618,802**

On 15 February 2022, Polimex Mostostal S.A. was informed at an Extraordinary General Meeting of Shareholders of a change in the number of shares held by investors acting jointly and in concert.

The structure of shareholders holding, directly or indirectly through subsidiaries, at least 5% of the total number of votes as at 22 April 2022 is as follows:

Shareholder	Number of shares/votes	% share in share capital / in total number of votes at GSM
ENEA Spółka Akcyjna with its registered office in Poznań, ENERGA Spółka Akcyjna with its registered office in Gdańsk, PGE Polska Grupa Energetyczna Spółka Akcyjna with its registered office in Warsaw PGNiG Technologie Spółka Akcyjna with its registered office in Krosno - as Investors acting jointly and severally *	155,437,597	65,14%
Others - less than 5% of the share capital	83 181 205	34,86%
Number of shares of all issues	**238 618 802**	**100,00%**

* PGNiG Technologie S.A. holds 16.34% of shares, the others 16.27% each

22.2. Reserve capital

In accordance with Art. 396. § 1. A reserve capital must be created to cover losses, to which at least 8% of the profit for a given financial year is allocated, until this capital reaches at least one third of the share capital. The supplementary capital thus created shall not be distributed. As at 31 December 2021, the

(in PLN thousand)

Group's capital reserve corresponds to the Parent Company's capital reserve and amounts to PLN 211,474 thousand.

22.3. Other capital

The Group's other capitals related to the effect of settling mergers with subsidiaries in 2010, i.e. Energomontaż-Północ S.A. with its registered office in Warsaw, Naftoremont Sp. z o.o. with its registered office in Płock, Zakłady Remontowe Energetyki Kraków Sp. z o.o. with its registered office in Kraków, Zakłady Remontowe Energetyki Lublin S.A. with its registered office in Lublin, EPE-Rybnik Sp. z o. o. with its registered office in Rybnik, ECeRemont Sp. z o.o. with its registered office in Zielona Góra (the acquired companies) made pursuant to article 492 § 1 item 1 of the CCC - by transferring all assets of those companies to Polimex Mostostal S.A. The value of the capital thus created was negative and was covered in later years by retained earnings.

The Company has changed the presentation of other capital in these financial statements. These were presented as part of the Retained Profits line. The Group believes that this presentation provides more reliable and useful information. This change is presented in note 3.4.

22.4. Capital element of convertible bonds issued

The equity component of the convertible bonds issued as at 31 December 2021 amounted to PLN 5,892 thousand. The change in these capitals is due to the accounting for the bond-to-equity conversion transactions that took place on 15 September 2021 and 16 December 2021. This transaction is described in more detail in Note 22.1.

22.5. Accumulated other comprehensive income

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

23. Bank loans, borrowings and other sources of financing

	As at 31 December 2021	As at 31 December 2020
Short-term, of which:	**29,884**	**66,428**
Bank loans	20,660	60,123
Lease liabilities	9,224	6,305
Long-term, of which:	**85,815**	**25,743**
Bank loans	52,000	-
Lease liabilities	33,815	25,743
Total loans and lease commitments	**115,699**	**92,171**

The table below shows the change in the value of loan commitments.

	As at 31 December 2021	As at 31 December 2020
Bank loan liabilities beginning of period	**60,123**	**153,553**
Currency valuation	46	-
Acquisition of control of a new entity	6,648	-
Bank loans incurred	66,341	85,345
Accrued interest calculated at the effective interest rate	2,337	6,307
Interest payments	(2,337)	(33,201)
Capital repayments	(60,498)	(151,881)
Bank loan liabilities at the end of the period	**72,660**	**60,123**

At 31 December 2020 and 31 December 2021 31 December 2020 and 31 December 2021, the parent company had no bank loans.

(in PLN thousand)

The parent company did not use bank loans in 2021. Financing of loans to other Group companies was based on average WIBOR 1M + bank margin. In November 2021 Mostostal Siedlce Sp. z o.o. Sp. k. has restructured its debt by repaying its existing bank loans in full and taking out new loans granted by ING Bank Śląski. The subsidiary's new bank loans bear interest at WIBOR 1M + bank margin.

The table below shows the change in the value of lease liabilities.

	As at 31 December 2021	As at 31 December 2020
Value of lease liabilities at the beginning of the period	**32,048**	**19,591**
Lease commitments	17,964	21,004
Acquisition of control of a new entity	1,871	-
Accrued interest calculated at the effective interest rate	1,526	1,275
Payments of lease liabilities	(11,188)	(10,197)
Changes to leases	818	375
Value of liabilities due to leases at the end of the period	**43,039**	**32,048**

In terms of leasing agreements, the increase is mainly due to the conclusion of leasing agreements for specialised equipment at Polimex Operator Sp. z o.o. Sp.k - PLN 4,431.6 thousand and Polimex Infrastruktura Sp. z o.o. - PLN 1,876.2 thousand.

24. Bonds

	As at 31 December 2021	As at 31 December 2020
Liabilities arising from the issue of series E, F bonds	-	6,997
Liabilities arising from the issue of series A, B bonds	101,550	106,145
Liabilities arising from the Series C bond issue	13,992	13,706
Total	**115,542**	**126,848**

The table below shows the breakdown of the bonds into long and short term parts:

	As at 31 December 2021	Aa at 31 December 2020
Long-term bonds	**105,542**	**113,364**
Liabilities arising from the issue of series E, F bonds	-	-
Liabilities arising from the issue of series A, B bonds	91,550	99,751
Liabilities arising from the Series C bond issue	13,992	13,613
Short-term bonds	**10,000**	**13,484**
Liabilities arising from the issue of series E, F bonds	-	6,997
Liabilities arising from the issue of series A, B bonds	10,000	6,394
Liabilities arising from the Series C bond issue	-	93
Total bonds	**115,542**	**126,848**

Series A, B bonds were issued on 1 October 2014. The Series A Bonds are bonds with an option to convert into shares in the Company. The total value of proceeds from the issue amounted to PLN 140,000 thousand. At the time of initial recognition of these bonds, the equity component of PLN 29,747 thousand was recognised in the Company's equity, the liability was recognised at PLN 108,292 thousand, the issue guarantee fees amounted to PLN 1,960 thousand.

The bonds may be converted at any time up to the redemption date at a unit price of £2 per share. If this is not done, the bonds will be redeemed on the specified redemption dates. Interest at WIBOR 3M plus 3 percentage points per annum is payable quarterly until conversion or redemption of the bonds.

On 27 September 2017, series C bonds convertible into series U bearer shares were issued. The total value of the bonds issued was PLN 14,500 thousand. The nominal value and issue price of one bond is PLN 500 thousand. The interest rate is variable based on WIBOR 3M plus a margin which may increase if the Company fails to make payments on the Bonds when due.

On 28 December 2020, with the holders of the issued series A, B and C bonds, it was agreed to modify the terms and conditions of the issue of these bonds introduced through the conclusion of agreements amending and unifying the relevant Bond Issuance Conditions 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 A-series convertible bonds with a nominal value of EUR 500 thousand each. PLN together with accrued interest thereon,
- redemption of 100 series B ordinary bonds with a nominal value of EUR 100 thousand each. PLN plus accrued interest thereon, and
- payment of accrued interest until 30 September 2020 in respect of the remaining 2014 Bonds.

The value of the redemption described above amounted to PLN 46,807 thousand (of which PLN 27,500 thousand for the redemption of bonds and PLN 19,307 thousand for the payment of interest).

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

In addition, other changes have been made to the Terms of Issue of the Bonds to modify the principles of interest payments and to introduce changes postulated by the Company to modify the existing provisions, including, inter alia, the introduction of conditions concerning the principles of dividend payment by the Company, with the first resolution in this regard being possible to be adopted after 31 July 2024 and the dividend payment itself not exceeding 30% of the amount of profit generated in a given financial year.

As a result of a significant change in the terms and conditions of the Series A and B bond issue, liabilities arising from the issue under the previous terms and conditions were removed from the balance sheet and liabilities arising from the issue under the new terms and conditions were recognised. Due to the de-recognition of liabilities from the previous issue, the balance sheet included: (i) costs due to change of conditions amounting to 2 596 thousand. (ii) directly through capitals the amount of PLN 1,678 thousand. The value of the remaining equity component of PLN 28,056 thousand was transferred to retained earnings. In connection with the recognition of liabilities following a significant change in the terms of issue, an equity component of PLN 5,678 thousand was recognised. The value of the liability due to the bond issue after the change of conditions amounted to PLN 154,512 thousand.

During 2020 on: on 24 July, 23 and 30 October, 8 and 14 December there were changes to the terms and conditions of the series A and B bonds which were not material. Changes made on successive dates postponed the maturity of the bonds. The total value of the recognised effects of these changes amounted to PLN 2,793 thousand and was presented in financial income.

There were no changes to the terms of the bond issue during 2021. In accordance with the schedule of mandatory redemption of series A and B bonds, on 30 September 2021 the Parent Company redeemed series B bonds worth PLN 1,200 thousand and on 31 December 2021 redeemed series B bonds worth PLN 1,300 thousand. However, in the case of series A bonds, on 15 September 2021, one of the bondholders submitted a statement on the conversion of 3 series A bonds with a total nominal value of PLN 1,500 thousand 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 thousand.

Subsequently, on 16 December 2021, one of the bondholders submitted a declaration on the conversion of 2 series A bonds with a total nominal value of PLN 1,000 thousand 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 thousand.

As at 31 December 2021, the conversion of the 5 bonds was not registered and the shares had not been issued to the bondholder.

On 31 December 2021, the Company repaid in full the remaining Receivables of the 2007 Bonds (Series E and F bonds) in execution of the 2007 Bondholders' Agreements dated 28 December 2020.

On 16 February 2022, the above shares were registered in the bondholders' securities account and the Company's share capital was increased by PLN 2,500,000 (i.e. from PLN 473,237,604 to PLN 475,737,604).

(in PLN thousand)

On 16 March 2022, one of the bondholders submitted a statement on the conversion of 3 series A bonds with a total nominal value of PLN 1,500 thousand 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 thousand.

On 1 April 2022, 750,000 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 475,737,604 to PLN 477,237,604), which is divided into 238,618,802 ordinary shares with a nominal value of PLN 2 each.

These transactions are described in note 22.1.

The table below shows the valuation of the Series A, B, C, E and F bonds at amortised cost and the changes in the terms of issue that have taken place in 2021:

	Year ended 31 December 2021	Year ended 31 December 2020
Liability at the beginning of the period	**126,848**	**173,578**
Changes to the terms of issue		
Profit from change in cash flow	-	(2,793)
Significant amendment to the terms and conditions of issue on ... 28 December 2020		
Removal of liabilities from the balance sheet according to changed conditions	-	(155,556)
Recognition of liabilities according to changed terms	-	154,512
Accrued interest calculated at the effective interest rate	6,343	15,517
Interest payments	(4,506)	(26,356)
Redemption of bonds	(9,156)	(32,054)
Conversion of bonds into shares	(2,500)	-
Settlement of commissions	(1,487)	-
Value of liability at the end of the period	**115,542**	**126,848**

25. Assets pledged as collateral

	As at 31 December 2021	As at 31 December 2020
Tangible fixed assets	365,154	328,091
Inventories	146,200	81,062
Investment properties	21,761	14,576
Other	38,009	27,031
Total	**571,124**	**450,760**

(in PLN thousand)

26. Provisions

	Provisions for warranty repairs	Provisions for litigations	Provisions for penalties	Provision for contract costs	Provision for losses	Provision for sureties	Other provisions	Total
As at 1 January 2021	**30,622**	**10,801**	**544**	**877**	**7,973**	**97**	**1,467**	**52,381**
Acquisition of a subsidiary	841	94	535	-	-	-	812	**2,282**
Created during the financial year	14,266	169	2	-	1,651	245	1,626	**17,959**
Used	(7,373)	(1,784)	(31)	(341)	(7,755)	(282)	(1,347)	**(18,913)**
Resolved	(6,061)	(2,484)	-	(536)	(111)	-	(167)	**(9,359)**
Exchange rate differences	-	-	-	-	-	-	53	**53**
As at 31 December 2021	**32,295**	**6,796**	**1,050**	-	**1,758**	**60**	**2,444**	**44,403**
Short-term as at 31 December 2021	10,842	2,060	1,050	-	1,758	60	2,252	**18,022**
Long-term as at 31 December 2021	21,453	4,736	-	-	-	-	192	**26,381**
As at 1 January 2020	**42,653**	**20,714**	**813**	**7,189**	**19,534**	**142**	**1,117**	**92,162**
Created during the financial year	9,991	-	-	45	5,873	323	1,244	**17,476**
Used	(10,124)	(428)	(269)	(685)	4,765	(168)	(930)	**(7,839)**
Resolved	(11,898)	(9,485)	-	(5,672)	(22,199)	(200)	(27)	**(49,481)**
Exchange rate differences	-	-	-	-	-	-	63	**63**
As at 31 December 2020	**30,622**	**10,801**	**544**	**877**	**7,973**	**97**	**1,467**	**52,381**
Short-term as at 31 December 2020	14,599	4,120	544	877	7,973	97	1,455	**29,665**
Long-term as at 31 December 2020	16,023	6,681	-	-	-	-	12	**22,716**

(in PLN thousand)

27. Employee benefits iabilities

	As at 31 December 2021	As at 31 December 2020
Payroll liabilities	24,471	21,307
Social security liabilities	31,649	31,748
Bonuses and awards	28,144	17,603
Unused leave	18,508	15,213
Severance payments for retirement and disability	2,066	2,192
Employee benefit liabilities - short-term	**104,838**	**88,063**
Severance payments for retirement and disability	19,513	21,429
Other	173	-
Employee benefit liabilities - long-term	**19,686**	**21,429**

The Group pays retirement and disability severance amounts to employees on retirement in the amount specified in the Company Collective Agreement. Accordingly, the Group, on the basis of a valuation carried out by a professional actuarial firm, recognises a provision for the present value of the liability for retirement benefits jubilee awards and other post-employment benefits.

27.1. Main assumptions used by the actuary

	31 December 2021	31 December 2020
Discount rate %	3,3%	1,2%
Expected inflation rate %	2,5%	2,5%
Expected salary growth rate %	3,5%	3,5%

Benefit costs recognised in profit or loss and actuarial gains and losses on retirement benefits are presented in the table below:

	Year ended 31 December 2021	Year ended 31 December 2020
Benefit costs:		
Current employment costs	2,117	1,838
Past service cost and gain/(loss) on settlement	(756)	(486)
Net interest expense	287	448
Components of defined benefit plan costs recognised in profit or loss	**1,648**	**1,800**
Revaluation of the net defined benefit liability:		
Actuarial gains and losses arising from changes in demographic assumptions	950	(771)
Actuarial gains and losses arising from changes in financial assumptions	(3,763)	1,739
Other	536	(337)
Components of benefit plan costs recognised in other comprehensive income	**(2,277)**	**631**
Total	**(629)**	**2,431**

(in PLN thousand)

The amount of the provision for employee benefits and a reconciliation showing the movements during the financial period are shown below.

	As at 31 December 2021	As at 31 December 2020
Defined benefit obligations, opening balance	**23,621**	**22,942**
Cost of current benefits	2,117	1,849
Interest cost	287	458
(Gains)/losses on revaluation:	**(2,684)**	**600**
Actuarial gains and losses arising from changes in demographic assumptions	988	(691)
Actuarial gains and losses arising from changes in financial assumptions	(3,672)	1,291
Past service cost, including (losses)/gains on curtailments	(14)	201
Benefits paid	(2,089)	(2,016)
Other	341	(413)
Defined benefit obligations, end of period	**21,579**	**23,621**

27.2. Sensitivity analysis

In accordance with IAS 19, the sensitivity (-/+ 0.5 p.p.) of the liabilities to changes in the discount rate and salary increase assumptions is presented below. The methods and assumptions used in conducting the sensitivity analysis have not changed compared to the previous reporting period.

	Liability for retirement and disability severance payments	Liability for retirement and disability severance pay
Change of assumption		
Discount rate - decrease by 0.5 % points	22,658	24,534
Discount rate - increase of 0.5 pp	20,500	22,280
Salary growth rate - down by 0.5 percentage points	20,500	22,297
Salary growth rate - increase of 0.5 percentage points	22,658	24,511

28. Trade and other payables

	As at 31 December 2021	As at 31 December 2020
Trade liabilities	**349,721**	**251,925**
Towards related parties	4,295	2,939
Towards other entities	345,426	248,986
Accrued expenses	**194,066**	**111,117**
Total trade liabilities	**543,787**	**363,042**
Taxes, duties, social security and other liabilities		
VAT	16,221	24,838
Withholding tax	6	24
Personal income tax	5,150	4,549
PFRON	377	344
Other	377	180
Liabilities due to the purchase of tangible fixed assets	710	1,572
Advance payments for deliveries	636	-
Other	2,229	127
Total other liabilities	**25,706**	**33,818**

(in PLN thousand)

The amount of accrued expenses mainly includes the value of costs of construction contracts incurred but not settled by invoices.

Terms and conditions of payment of the above financial obligations:

Transactions with related parties are concluded on market terms (typical commercial transactions). Trade payables are non-interest bearing and generally settled within 30 to 180 days.

Other liabilities are interest-free, with an average maturity of 1 month.

The amount resulting from the difference between liabilities and receivables for value added tax is paid to the relevant tax authorities in periods resulting from tax legislation.

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

29. Contingent liabilities

	As at 31 December 2021	As at 31 December 2020
Contingent liabilities	**1,023,602**	**637,353**
- guarantees and sureties granted	855,439	502,097
- promissory notes	88,954	82,351
- litigation	79,209	52,905

The change in the value of guarantees issued is mainly due to the issuance of new guarantees on contracts: Dolna Odra (performance bond in the amount of PLN 185,335.0 thousand) and Czechnica (performance bond and advance payment refund guarantee in the total amount of PLN 183,369.2 thousand) and expiry of the performance bond on the Opole contract (PLN 59,571.4 thousand).

30. Information on transactions with related partiesrelated parties

Transactions with related parties are concluded on market terms (typical commercial transactions). The Group does not apply hedges to receivables from related parties. The following table shows the aggregate amounts of related party transactions for the year ended 31 December 2021 and as at that date and 31 December 2020 and as at that date.

		For a period of 12 months		Balance at the end of the period	
Group of entities		Income from related parties	Purchases from related parties	Receivables from related parties	Liabilities to related parties
Other shareholder-related entities	2021	725,510	27,746	44,837	159,930
Non-consolidated subsidiaries	2021	63	-	334	765
Associated companies	2021	-	-	-	-
Total		**725,573**	**27,746**	**45,171**	**160,695**
Other shareholder-related entities	2020	264,206	23,412	54,454	85,099
Non-consolidated subsidiaries	2020	24	86	261	823
Associated companies	2020	-	189	-	232
Total		**264,230**	**23,687**	**54,715**	**86,154**

31. Transactions with State Treasury related parties

Polimex Mostostal Group is a party to transactions with entities related to the State Treasury. These transactions, which are both transactions with shareholders and shareholder related parties, are presented in note 30 as shareholder related party transactions. Transactions carried out with other State Treasury related parties are arm's length transactions - these transactions are not significant.

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

	Year ended 31 December 2021	Year ended 31 December 2020

Management Board		
Short-term employee benefits (wages and salaries)	3,163	3,250
Supervisory Board		
Short-term employee benefits (wages and salaries)	896	766
Total	**4,059**	**4,016**

The Company is not aware that any members of the Management Board or Supervisory Board as at 31 December 2021 or as at the date of publication of this report hold or have held any transactions in its shares.

33. Risk management objectives and principles

33.1. Interest rate risk

The Group's financial results may fluctuate as a result of changes in market factors, in particular material price quotations, exchange rates and interest rates. In managing the risks to which it is exposed, the Company seeks to reduce the volatility of future cash flows and to minimise potential economic losses arising from events that could have a negative impact on results.

The Group has cash in bank accounts, liabilities under bank loans and debt in the form of receivables under bonds issued. These liabilities are based on a floating interest rate. The Company monitors the situation on the financial market and analyses trends and forecasts with regard to the development of reference market rates. As at 31 December 2021, the Group has not entered into derivative transactions to hedge this risk.

Analysis of sensitivity to interest rate changes

	Value at risk	Increase/decrease by	
		0,50%	-0,50%
For the year ended 31 December 2021			
Cash in bank accounts	883,530	4,418	(4,418)
Bank loans	(72,660)	(363)	363
Bonds	(115,542)	(578)	578
Other financial assets	2,255	11	(11)
Effect on profit before tax		**3,488**	**(3,488)**
Deferred tax		(663)	663
Total		**2,825**	**(2,825)**

	Value at risk	Increase/decrease by	
		0,50%	-0,50%
As at 31 December 2020			
Cash in bank accounts	367,754	1,839	(1,839)
Bank loans	(60,123)	(301)	301
Bonds	(126,848)	(634)	634
Other financial assets	3,448	17	(17)
Effect on profit before tax		**921**	**(921)**
Deferred tax		(175)	175
Total		**746**	**(746)**

33.2. Foreign exchange risk

Financial flows of Polimex Mostostal Capital Group companies are characterised by a relatively significant sensitivity to fluctuations in exchange rate relations, which results from generating revenues in foreign currencies, mainly in EUR.

The preferred method of hedging against foreign exchange risk used by Group companies remains natural hedging, i.e. hedging currency risk by entering into transactions that generate costs in the same currency as the revenue currency.

Fluctuations in the average euro exchange rate have a significant impact on the amount of revenue expressed in PLN derived from contracts concluded in a foreign currency. On the basis of the contracts signed and highly probable to be concluded, the Group has estimated the exposure to currency risk in the period January - December 2022 as follows:

Specification	Q1-Q4 2022 r.
Forecast inflows in foreign currency - equivalent in EUR thousand EUR	114,097
Forecast expenditure in foreign currency - equivalent in EUR thousand EUR	36,793
Business exposure to foreign exchange risk in thousands EUR	**77,304**

The ongoing impact of fluctuations in this market parameter will concern the part of the companies' foreign exchange turnover (net inflows) that will not be covered by hedging transactions.

Exposure to currency risk*

	31 December 2021			31 December 2020		
	EUR	*USD*	*RUB*	*EUR*	*USD*	*RUB*
Cash and cash equivalents	2,826	-	(83)	4,841	61	3,830
Trade receivables	25,305	-	18	27,411	128	22,751
Secured bank loans, leasing liabilities	(311)	-	-	-	-	-
Trade payables	7,777	10	-	5,968	224	-
Gross carrying amount	**20,665**	**(10)**	**(65)**	**26,284**	**(35)**	**26,581**
Estimated sales forecast	114,097	-	-	112,595	-	-
Estimated forecast of acquisitions	36,793	-	-	41,508	38	-
Gross exposure	**77,304**	**-**	**-**	**71,087**	**(38)**	**-**
Net exposure	**97,969**	**(10)**	**(65)**	**97,371**	**(73)**	**26,581**

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

Sensitivity analysis of currency risk at 31 December 2021

	Carrying amount	*EUR/PLN*	
		course (10 %)	*course (amended by -10 %)*
Cash and cash equivalents	12,997	1,300	(1,300)
Trade receivables	116,377	11,638	(11,638)
Trade liabilities	42,084	4,204	(4,204)
Bank loans, borrowings and other external sources of finance	-	-	-
Effect on profit before tax		**8,734**	**(8,734)**
Deferred tax		(1,659)	1,659
Impact on net financial result		**7,075**	**(7,075)**

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

(in PLN thousand)

Sensitivity analysis of currency risk at 31 December 2020

	Carrying amount	*EUR/PLN*	
		course (10 %)	*course (amended by -10 %)*
Cash and cash equivalents	22,791	2,233	(2,233)
Trade receivables	123,883	12,226	(12,226)
Trade liabilities	(20,820)	(1,986)	1,986
Bank loans, borrowings and other external sources of finance	-	-	-
Effect on profit before tax	**125,854**	**12,473**	**(12,473)**
Deferred tax	(23,912)	(2 370)	2,370
Impact on net financial result	**101,942**	**10,103**	**(10,103)**

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

33.3. Credit risk

Credit risk is minimised by working with reliable trading partners, using instruments available on the market to insure trade receivables from foreign customers and obtaining security for payments from counterparties. In relation to domestic customers who do not meet internal credit and financial credibility criteria, collateral is usually used to secure receivables in the form of sureties, assignment by way of security, registered pledge or bills of exchange in situations where such customers have limited access to bank or insurance guarantees.

There is a concentration of credit risk in the Group due to significant receivables from energy companies. Taking into account that the main customers, which are national energy companies, are entities controlled by the State Treasury and perform a critical function in the national energy system, the Group assesses that it is not materially exposed to credit risk to these customers.

Credit risk management of the counterparties to financial transactions consists of controlling the financial credibility of current and potential counterparties to these transactions and monitoring credit exposure against the limits granted. Counterparties to the transaction should be appropriately rated by leading credit rating agencies or have guarantees from institutions meeting the minimum rating requirement. The Group enters into financial transactions with reputable companies with good credit ratings and applies diversification of the institutions with which it works. In terms of managing the credit risk of trading partners, the Group subjects all customers who apply for credit limits to procedures for verifying their financial credibility and, depending on this assessment, appropriate internal limits are granted. The Group sets out guidelines for the credit risk management process of its trading partners in order to maintain appropriate standards of credit analysis and operational security of the process across the Group. The measure of credit risk is the amount of maximum exposure for each class of financial asset. The book values of financial assets represent the maximum credit exposure, in particular for trade receivables and transferred deposits. In the opinion of the Parent Company's Management Board, the risk of financial assets at risk is reflected by making write-downs. The calculation of write-downs is presented in note 17.

Credit risk on liquid funds is limited as the Group's counterparties are banks with high credit ratings assigned by international rating agencies.

33.4. Liquidity risk

The Group considers this risk to be at a moderate level. Maintaining liquidity in the medium to long term requires engaging in projects and contracts that provide neutral and positive cash flows. These risks are constantly monitored and analysed both in the short and long term.

The current financial situation of the Issuer's Group is stable - the Group has significant cash resources and significant guarantee limits in both banking and insurance institutions. The structure, level and repayment terms of financial debt are aligned with the current as well as the projected ability to service them on time. The Group has a number of activities underway to further improve operating conditions and these include:

(in PLN thousand)

- further optimisation of operating activities in order to streamline processes related to the execution, management and monitoring of ongoing construction and assembly projects and to reduce operating costs by, inter alia, reducing general administration costs, centralising procurement, optimising organisational structures, optimising the contract portfolio and focusing the Group's activities on core activities;
- continuing the process of selling assets, in particular real estate owned by the Group and other assets that are not necessary for the Group's continued core business,
- acquiring new sources of debt financing and optimising the terms and term structure of the Group's existing on- and off-balance sheet financing.

The Group's current order book less sales attributable to consortium members amounts to PLN 5.30 billion and includes contracts concluded or offered projects for which our bid was selected. The current order backlog in the individual segments is as follows: pLN 3.27 billion for the Power sector segment, PLN 0.55 billion for the Petrochemical segment, PLN 0.76 billion for the Production segment, PLN 0.25 billion for the Infrastructure segment and PLN 0.47 billion for the Industry segment.

The table below shows the Group's financial liabilities at 31 December 2021, and 31 December 2020 by maturity date based on contractual undiscounted payments.

Liquidity risk at 31 December 2021

	On request	*Less than 3 months*	*From 3 to 12 months*	*From 1 to 5 years*	*Over 5 years*	*Total*
Bank loans, borrowings and other external sources of finance, including :	36	24,422	5,426	62,651	23,164	115,699
- Leasing	-	2,594	5,787	20,252	5,477	34,110
Bonds	-	-	10,000	112,000	-	122,000
Other long-term liabilities	1,041	4,868	-	-	-	5,909
Trade liabilities, deposits under construction contracts and other liabilities	134,993	217,083	36,593	30,665	5,728	425,062
	136,070	**246,373**	**52,019**	**205,316**	**28,892**	**668,670**

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

Liquidity risk at 31 December 2020

	On request	*Less than 3 months*	*From 3 to 12 months*	*From 1 to 5 years*	*Above 5 years*	*Total*
Bank loans, borrowings and other external sources of finance, of which:	175	8,235	61,992	16,173	15,365	101,940
- Leasing	175	2,700	5,906	16,173	15,365	40,319
Bonds	-	-	13,391	122,000	-	135,391
Trade liabilities, deposits under construction contracts and other liabilities	54,197	229,159	20,414	21,766	5,744	331,280
	54,372	**237,394**	**95,797**	**159,939**	**21,109**	**568,611**

(in PLN thousand)

34. Financial instruments

34.1. Classification of financial instruments

	As at 31 December 2021	As At 31 December 2020
	Financial assets measured at amortised cost	
Financial assets		
Other financial assets	2,255	3,448
- long-term	1,741	694
- short-term	514	2,754
Trade receivables	374,326	516,493
Deposits due to the construction contracts	80,646	90,612
Cash and cash equivalents	883,530	367,754
	Financial liabilities measured at amortised cost	
Financial liabilities		
Bonds	115,542	126,848
Loans, of which:		
- long-term variable interest rate	20,660	-
- short-term variable interest rate	52,000	60,123
- short-term, fixed-interest bearing	-	-
Lease liabilities	43,039	32,048
- long-term	33,815	25,743
- short-term	9,224	6,305
Trade payables	349,721	251,925
Deposits due to the construction contracts	63,279	72,802

34.2. Items income, expenses, gains and losses recognised in the profit and loss account by category of financial instrument

Year ended 31 December 2021

	Interest income/(expense)	Profit /(loss) on account of exchange rate differences	Release/(recognition) of impairment losses	Other	**Total**
Financial assets					
Financial assets at amortised cost through profit or loss	1,384	-	(14,818)	-	**(13,434)**
Financial liabilities					
Financial liabilities measured at amortised cost	(11,121)	(8,432)	-	-	**(19,553)**
Total	**(9,737)**	**(8,432)**	**(14,818)**	**-**	**(32,987)**

(in PLN thousand)

Year ended 31 December 2020

	Interest income/(expense)	Profit /(loss) on account of exchange rate differences	Release/(recognition) of impairment losses	Other	**Total**
Financial assets					
Financial assets at amortised cost through profit or loss	4,711	10,264	(15,009)	5,402	**5,368**
Financial liabilities					
Financial liabilities measured at amortised cost	(23,763)	(2,296)	-	(3,166)	**(29,225)**
Total	**(19,052)**	**7,968**	**(15,009)**	**2,236**	**(23,857)**

35. Fair values of particular categories of financial instruments

For financial reporting purposes, fair value measurements are categorised into three levels depending on the extent to which the inputs to fair value measurements are observable and the significance of the inputs to fair value measurements as a whole. These levels are as follows:

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity has access to at the measurement date.
- Level 2: Inputs are data other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable inputs into the measurement 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.

36. Capital management

The main objective of the Group's capital management is to maintain a good credit rating and safe capital ratios that would support the Group's operations and increase value for its shareholders.

The Parent Company has externally imposed capital requirements on the value of equity.

At 31 December 2021 and 31 December 2020, the Parent Company had positive equity.

The Group monitors its capital position using the leverage ratio, which is calculated as net debt divided by total capital plus net debt. The Group's net debt includes interest-bearing loans and borrowings, trade and other payables, less cash and cash equivalents.

	As at 31 December 2021	**As at 31 December 2020**
Bank loans, borrowings and bonds	188,202	186,971
Trade and other liabilities	569,493	396,860
Minus cash and cash equivalents	883,530	367,754
Net debt	(125,835)	216,077
Equity	901,230	788,121
Net equity and debt	**775,395**	**1,004,198**
Leverage ratio (net debt/capital and net debt)	-16%	22%

37. Employment structure

The Group's average headcount at 31 December 2021 and 31 December 2020 was as follows (rounded to unity):

	As at 31 December 2021	**As at 31 December 2020**

Management Board of the Parent Company	2	3
Management Boards of Group entities	19	19
Support division	910	838
Operations division	3,762	3,695
Total	**4,693**	**4,555**

38. Litigations regarding receivables and liabilities

As at 31 December 2021, proceedings are pending in respect of the counterclaim from Mostostal S.A. with its registered office in Warsaw (the "Respondent"). The counterclaim is directed against the Company and Mostostal Siedlce spółka z ograniczoną odpowiedzialnością sp.k. The counterclaim is the Respondent's position in the case initiated in June 2017 by the Issuer and Mostostal Siedlce spółka z ograniczoną odpowiedzialnością sp.k. for the invalidity of the agreement on the sale of 2 Mostostal trademarks: the word and figurative "Mostostal" registered under R 87887 and the word and figurative "Mostostal" registered under R 97850. The agreement to sell the marks was concluded by the receiver of one of the entities using the mark in 2007, the purchaser of the mark was the Respondent. The value of the object in dispute amounts to PLN 96 908 719. The value indicated by the Respondent as the value of the object in dispute is the value of damages calculated by the Respondent for the infringement of protective rights in respect of the indicated trade marks. The respondent seeks compensation in the amount of PLN 83,717,995 from the Company and PLN 13,190,724 from Mostostal Siedlce spółka z ograniczoną odpowiedzialnością sp.k. In the opinion of the Company's management, the counterclaim is without merit and is only a consequence of the lawsuit filed in June 2017 by the Parent Company and the amount of damages is not justified. The Company's analyses indicate that the Company holds the entity rights to the Mostostal company name and the rights to use the Mostostal name with earlier priority than the priority to the aforementioned Mostostal trademarks.

Other than the above matter, there were no legal proceedings of material value to the financial statements as at 31 December 2021.

39. Events after the balance sheet date

- On 4 January 2022, an agreement (the "Agreement") was concluded between the State Treasury - Commander-in-Chief of the Border Guard and a consortium (the "Contractor") comprising: Company, Mostostal Siedlce Spółka z ograniczoną odpowiedzialnością Sp. k. ("MS") and Węglokoks S.A. with its registered office in Katowice. The subject of this contract is the manufacture, from the Contractor's materials and raw materials, of prefabricated, corrosion-protected steel spans. The remuneration for the execution of the Agreement will amount to a maximum of PLN 589 million gross, of which the Company and MS will receive a maximum of PLN 241.2 million gross. 20 May 2022 was indicated as the completion date for the Agreement.
- On 11 January 2022, the Company received a statement from Rafako S.A. with its registered office in Raciborz on withdrawal by this entity from the following concluded on 12 November 2021. Preliminary terms of the investment agreement concerning Rafako S.A. (as defined in current report no. 46/2021 of November 9, 2021) and withdrawal from proceeding with the Letter of Intent (as defined in current report no. 38/2021 of October 6, 2021) in its current wording and arrangement (Rafako was not a party to the Letter of Intent, however cooperation of this entity was envisaged, among others, in connection with possible due diligence).
- On 19 January 2022. The Company concluded with Sopockie Towarzystwo Ubezpieczeń ERGO Hestia S.A. an annex to the Agreement on cooperation in providing insurance guarantees within the allocated guarantee limit concluded on 8 July 2020. ("**Agreement**"), under which the total guarantee amount for guarantees issued under the Agreement is increased from PLN 103,000,000 to PLN 118,500,000 ("Limit"). The limit available to the Company under the Agreement is renewable in nature and is valid until 31 December 2022. Other provisions of the Agreement remain unchanged
- On 15 February 2022. The Extraordinary General Meeting of the Company made changes to the composition of the Company's Supervisory Board. Ms Katarzyna Dąbrowska was dismissed from the current composition of the Supervisory Board as of the date of adoption of the resolution. The

resolution to dismiss Ms Catherine Dabrowska does not specify the reasons for the dismissal. The Extraordinary General Meeting of the Company appointed, on the date of adoption of the resolution, Mr. Jakub Rybicki to the Supervisory Board of the Company, for the joint term of office of the Supervisory Board, falling in the years 2019-2022.

- On 16 February 2022, registration with the National Securities Depository S.A. took place. ("NDS") and admission to trading by the Warsaw Stock Exchange S.A. ("GPW") 1,250,000 Series S ordinary bearer shares of the Company with a nominal value of PLN 2.00 each ("Series SShares") and the recording of Series S Shares in the Bondholder's securities account (as defined in the Company's current report No. 37/2021 and No. 50/2021). As a result, pursuant to Article 452 § 1 of the Commercial Companies Code, the Company's share capital was increased by PLN 2,500,000.00, i.e. from PLN 473,237,604.00 to PLN 475,737,604.00. The Company's share capital is divided into 237,868,802 ordinary shares with a nominal value of PLN 2.00 each, including: (i) 86,618,802 Series A shares; (ii) 150,000,000 Series T shares; (iii) 1,250,000 Series S shares. The total number of votes attached to all shares in the Company is 237,868,802. The nominal value of the conditional increase of the Company's share capital amounts to PLN 97 154 638.00. This event is also presented in note 22.1.
- On 16 March 2022, on the basis of a statement from one of the bondholders ("Bondholder") of series A convertible bearer bonds issued by the Company ("Series A Bonds"), 3 Series A Bonds with the total nominal value of PLN 1,500,000.00 (each with the nominal value of PLN 500,000.00) were converted into 750,000 series S ordinary bearer shares of the Company with the nominal value of PLN 2.00 each, i.e. with the total nominal value of PLN 1,500,000.00. This conversion was made on the basis of the provisions of the Terms and Conditions of Issue of the Series A Bonds dated 12 September 2014, as amended (referred to in current reports No. 55/2017 dated 21 June 2017, No. 39/2019 dated 31 December 2019, No. 42/2020 dated 24 July 2020 and No. 63/2020 dated 28 December 2020). As at the date of approval for publication of these Financial Statements, the above shares have not been issued to the Bondholder. This event is also presented in note 22.1.
- On 30 March 2022, registration with the National Securities Depository S.A. took place. ("NDS") and admission to trading by the Warsaw Stock Exchange S.A. ("GPW") 750,000 Series S ordinary bearer shares of the Company with a nominal value of PLN 2.00 each ("Series SShares") and the recording of the Series S Shares in the Bondholder's securities account (as defined in the Company's current report No. 37/2021 and No. 50/2021). As a result, pursuant to Article 452 § 1 of the Commercial Companies Code, the Company's share capital was increased by PLN 1,500,000.00, i.e. from PLN 475,737,604.00 to PLN 477,237,604.00. The Company's share capital is divided into 238,618,802 ordinary shares with a nominal value of PLN 2.00 each, including: (i) 86 618 802 Series A shares; (ii) 150 000 000 Series T shares; (iii) 2 000 000 Series S shares. The total number of votes attached to all shares in the Company is 238,618,802. The nominal value of the conditional increase of the Company's share capital is PLN 95,654,638.00.
- On 30 March 2022. The Company concluded an agreement with Gotech Sp. z o.o. with its registered office in Gorzów Wielkopolski, the subject matter of which is the assembly of pipelines (in the engine room, in the cooling water building) and the assembly of pipeline connections with the boiler room of Block 9 and Block 10 together with the related equipment as part of the performance by the Company of the contract for the construction of two gas-steam units in PGE Górnictwo i Energetyka Konwencjonalna S.A. Dolna Odra Power Plant Branch, the conclusion of which the Company reported in current report No. 6/2020 of 30 January 2020. The period of performance of the subject matter of the Agreement shall commence on the date of its conclusion and end on 11 December 2023. The remuneration for the Contractor's performance of the subject of the Agreement is a cost estimate and has been determined at an amount not higher than PLN 47.2 million net ("Agreement Price"). The Contractor shall be obliged to pay contractual penalties to the Company in cases of delays specified in the Contract, however, the total amount of contractual penalties for delays shall not exceed 10% of the Contract Price. In the event that the Company withdraws from the Contract through the fault of the Contractor, the Company shall be entitled to charge the Contractor a contractual penalty equal to 10% of the Contract Price.

- On 1 April 2022, registration with the National Securities Depository S.A. took place. ("NDS") and admission to trading by the Warsaw Stock Exchange S.A. ("WSE") 750,000 Series S ordinary bearer shares of the Company with a par value of PLN 2.00 each ("SeriesS Shares") and the recording of Series S Shares on the Bondholder's securities account. As a result, pursuant to Article 452 § 1 of the Commercial Companies Code, the Company's share capital was increased by PLN 1,500,000, i.e. from PLN 475,737,604 to PLN 477,237,604. The Company's share capital is divided into 238,618,802 ordinary shares with a nominal value of PLN 2.00 each, including: (i) 86 618 802 Series A shares; (ii) 150 000 000 Series T shares; (iii) 2 000 000 Series S shares. The total number of votes attached to all shares in the Company is 238,618,802. The nominal value of the conditional increase of the Company's share capital is PLN 95,654,638.00.
- On 12 April 2022, an agreement was concluded between Castagna Sp. z o.o., based in Warsaw, and a consortium comprising: Company and Polimex Infrastruktura sp. z o.o. with its registered office in Warsaw (a 100% subsidiary of the Issuer). The subject of the Agreement is the construction of a storage hall with office and social, technical facilities and accompanying infrastructure in Zakroczym ("Task"). 27 January 2023 was indicated as the completion date for the subject of the Agreement. The remuneration for the Task is a lump sum totaling EUR 30.4 million net (the"Remuneration"). Payment of the Remuneration will be made in parts, on a monthly basis after completion of the various stages provided for in the Task schedule. Pursuant to the provisions of the Agreement, the Contractor shall provide the Ordering Party with a guarantee and warranty for defects in the subject of the Agreement for the period of 5 years from the signing of the final acceptance protocol. In order to secure any possible claims of the Purchaser, the Contractor shall provide the Purchaser with a performance bond and a security during the guarantee period amounting to 5% of the Remuneration. The Agreement provides for contractual penalties for, among other things, delay and deviation from the agreed areas. The agreement provides for a limitation of contractual penalties imposed up to a total of EUR 4 million.
- The outbreak of war in Ukraine as a result of the Russian invasion on 24 February 2022, will have a negative impact on the global economy, which is still struggling with the effects of the pandemic. At present, however, it is difficult to estimate the scale of the negative effects on the economy. Areas of possible negative impact on the construction industry and the Group's operations include: weakening of local currencies, rising inflation, rising material costs, rising construction costs, problems in recruiting employees, disruptions in product and material supply chains.

  At present, the armed conflict in Ukraine does not have a significant negative impact on the operating activities of the Group companies, with the exception of the company Chervonogradsky Zaklad Konstrukcji Stalowych Sp. d.o., which is located in western Ukraine. The operations of this company continue and steps are being taken to safeguard the safety of employees and the integrity of company property. Some employees were called up for military service (about 17% of the workforce). The company is fulfilling orders it obtained before the outbreak of war. These are primarily orders for the European market, including Group companies, and a small number of orders in the Lviv region. The share of the Ukrainian company in the Group's turnover for 2021 is 3.3%, so the potential reduction of this in subsequent periods should not have a material adverse effect on the Group's operations. The net assets of the Ukrainian company amount to PLN 25 million and the Group does not identify a need to write down these assets in the near term.

  As at the date of this report, the Group does not identify any impairment of the net assets of Czerwonogradzki Zakład Konstrukcji Stalowych Sp. d.o. or any significant direct negative impact of the event on its operations, the items presented in the financial statements and the assumption made at the time of preparing the statements regarding the Group's going concern in the foreseeable future. In view of the dynamic course of the war on Ukrainian territory and its macroeconomic and market consequences, the Group will monitor its development on an ongoing basis and any events that occur will be reflected accordingly in future financial statements. No adjustments have been made for this in this report.

Warsaw, 22 April 2022

SIGNATURES OF ALL MANAGEMENT BOARD MEMBERS		
Name	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 THE FINANCIAL STATEMENTS		
Name	Position/Function	Signature
Sławomir Czech	Finance Director/ Chief Accountant	