POLIMEX MOSTOSTAL S.A.

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

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(in thousands PLN)

Profit and loss account

	Note	Year ended 31 December 2021	Year ended 31 December 2020
Sales revenues	7.1	929 114	425 376
Cost of goods sold	7.4	(846 309)	(376 292)
Gross profit / (loss) on sales		**82 805**	**49 084**
General administrative expenses	7.4, 7.5	(32 349)	(34 705)
Profit / (loss) on impairment of financial assets	7.7	111	(19)
Other operating revenues	7.8	17 871	19 589
Other operating costs	7.9	(4 281)	(7 166)
Profit / (loss) on operating activities		**64 157**	**26 783**
Financial income	7.10	49 836	90 174
Financial costs	7.11	(14 687)	(25 199)
Gross profit / (loss)		**99 306**	**91 758**
Income tax	8	(10 310)	(30 364)
Net profit / (loss)		**88 996**	**61 394**
Earnings / (loss) per share (in PLN per share)			
- basic earnings per share	10	0,376	0,259
- diluted earnings per share	10	0,331	0,260

Statement of comprehensive income

	Year ended 31 December 2021	Year ended 31 December 2020
Net profit / (loss)	**88 996**	**61 394**
Items that will not be allocated in the later periods to the profit and loss account:		
Change from revaluation of tangible fixed assets	61	-
Actuarial profit / (loss)	111	(4)
Other net comprehensive income	**172**	**(4)**
Total comprehensive income	**89 168**	**61 390**

(in thousands PLN)

Balance sheet

	Note	As at 31 December 2021	As at 31 December 2020*
Assets			
Fixed assets			
Tangible fixed assets	11.1	41 580	36 879
Investment properties	11.3	37 293	38 944
Intangible assets		491	346
Financial assets	12.1	475 126	486 833
Long-term receivables		259	235
Deposits due to the construction contracts		28 251	22 231
Deferred tax assets	8.3	92 853	103 224
Other long-term assets		7 077	4 520
Total fixed assets		**682 930**	**693 212**
Current assets			
Inventories		-	149
Trade receivables	13	218 560	309 286
Deposits due to the construction contracts		11 684	4 540
Construction contracts assets	15	4 848	49 549
Other receivables	13	96 224	114 786
Financial assets	12.2	1 810	32 658
Other assets		5 173	2 949
Cash and cash equivalents	16	703 460	209 409
Total current assets		**1 041 759**	**723 326**
Assets held for sale	18	**36 634**	**26 685**
Total assets		**1 761 323**	**1 443 223**

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

(in thousands PLN)

Balance sheet (continued)

	Note	As at 31 December 2021	As at 31 December 2020
Liabilities and equity			
Equity			
Share capital	19.1	473 238	473 238
Reserve capital	19.2	211 474	157 746
Unregistered share issue		2 500	-
Other capital	19.3	-	(37 629)
Reserve capital from surplus of bonds convertible into shares	19.4	5 892	6 071
Accumulated other comprehensive income	19.5	28 997	28 825
Retained earnings / Uncovered losses	19.6	88 996	91 178
Total equity		**811 097**	**719 429**
Long-term liabilities			
Bank loans, borrowings and other external sources of financing	20	19 096	34 596
Long-term bonds	21	105 542	113 364
Provisions	23	14 806	12 018
Employee benefit liabilities	24	883	875
Deposits due to the construction contracts		14 532	12 834
Other liabilities		24	37
Total long-term liabilities		**154 883**	**173 724**
Short-term liabilities			
Bank loans, borrowings and other external sources of financing	20	27 413	16 984
Short-term bonds	21	10 000	13 484
Trade liabilities	25	303 232	256 860
Deposits due to the construction contracts		15 922	17 689
Construction contracts liabilities	15	400 316	211 106
Other liabilities	25	13 644	4 634
Provisions	23	3 131	17 076
Employee benefit liabilities	24	21 216	10 744
Deferred income		469	1 493
Total short-term liabilities		**795 343**	**550 070**
Total liabilities		**950 226**	**723 794**
Total liabilities and equity		**1 761 323**	**1 443 223**

(in thousands PLN)

Cash flow statement

	Note	Year ended 31 December 2021	Year ended 31 December 2020
Cash flows from operating activities			
Gross profit/(loss)		**99 306**	**91 758**
Adjustments for items:		**331 281**	**14 975**
Depreciation	7.4	8 993	7 782
Net interest and dividends		(35 279)	3 286
Profit / (loss) on investing activities		(13 303)	1 440
Change in receivables	17	129 713	(339 756)
Change in inventories		149	(149)
Change in liabilities excluding bank loans and borrowings	17	257 566	384 295
Change in other assets and deferred income		(5 805)	(2 804)
Change in provisions		(11 157)	(39 026)
Income tax paid		122	-
Other		282	(93)
Net cash from operating activities		**430 587**	**106 733**
Cash flows from investing activities			
Disposal of tangible and intangible fixed assets		1 410	11 377
Purchase of tangible and intangible fixed assets		(5 590)	(3 395)
Disposal and liquidation of financial assets	12.1	19 405	135
Purchase of financial assets		(1 494)	(265)
Dividends, interest and particpation in profits received		56 993	29 684
Repayment of loans granted		26 092	11 210
Granting of loans		(1 712)	(2 321)
Net cash from investing activities		**95 104**	**46 425**
Cash flows from financing activities			
Proceeds from bank loans and borrowings		-	72 363
Lease payments		(7 324)	(5 775)
Interest paid		(5 617)	(57 021)
Repayment of bank loans and borrowings		(9 544)	(54 659)
Repayment of bonds		(9 155)	(32 054)
Net cash from financing activities		**(31 640)**	**(77 146)**
Net increase/(decrease) in cash and cash equivalents		494 051	76 012
Net exchange rate differences			
Cash and cash equivalents at the beginning of the period	16	**209 409**	**133 397**
Cash and cash equivalents at the end of the period	16	**703 460**	**209 409**
Restricted cash	16	*350 351*	*110 557*

(in thousands PLN)

Statement of changes in equity

	Share capital	Reserve capital	Unregistered share issue	Other capital	Reserve capital from surplus of bonds convertible into shares	Accumulated other comprehensive income		Retained earnings / Uncovered losses	Total equity
						Revaluation reserve	Actuarial profit / (loss)		
As at 1 January 2021	**473 238**	**157 746**	-	**(37 629)**	**6 071**	**27 959**	**866**	**91 178**	**719 429**
Net profit / (loss)	-	-	-	-	-	-	-	88 996	88 996
Other net comprehensive income	-	-	-	-	-	61	111	-	172
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**61**	**111**	**88 996**	**89 168**
Distribution of net profit	-	23 765	-	37 629	-	-	-	(61 394)	-
Distribution of retained earnings	-	29 784	-	-	-	-	-	(29 784)	-
Conversion of bonds into shares	-	179	2 500	-	(179)	-	-	-	2 500
As at 31 December 2021	**473 238**	**211 474**	**2 500**	**-**	**5 892**	**28 020**	**977**	**88 996**	**811 097**

(in thousands PLN)

Statement of changes in equity (cont'd)

	Core capital	Reserve capital	Other capital	Reserve capital from surplus of bonds convertible into shares	Accumulated other comprehensive income from		Retained earnings / Uncovered losses	Total equity
					Revaluation reserve	Actuarial profit / (loss)		
As at 1 January 2020	**473 238**	**157 746**	**(132 204)**	**31 552**	**35 100**	**870**	**94 575**	**660 877**
Net profit / (loss)	-	-	-	-	-	-	61 394	61 394
Actuarial profit/(loss)	-	-	-	-	-	(4)	-	(4)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(4)**	**61 394**	**61 390**
Distribution of net profit	-	-	94 575	-	-	-	(94 575)	-
Transfer of revaluation surplus of tangible fixed assets due to their sale	-	-	-	-	(7 141)	-	7 141	-
Material change in terms of issue of bonds containing an equity component - settlement of expiring issue	-	-	-	(29 733)	-	-	28 056	(1 677)
Material change in terms of issue of bonds containing an equity component - recognition of the new terms	-	-	-	5 677	-	-	-	5 677
Deferred tax related to the equity component of the new issue and the Series C issue	-	-	-	(1 425)	-	-	-	(1 425)
Deferred tax on the equity component of the original issue of series A and B	-	-	-	-	-	-	(5 413)	(5 413)
As at 31 December 2020	**473 238**	**157 746**	**(37 629)**	**6 071**	**27 959**	**866**	**91 178**	**719 429**

NOTES TO THE FINANCIAL STATEMENTS PREPARED AS AT 31 DECEMBER 2021

1. General information

Polimex Mostostal Spółka Akcyjna ("the Company", "Polimex Mostostal S.A.") shall operate 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 registered office is located in Warsaw at 12 Jana Pawła II Avenue, 00-124 Warsaw. 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, XII Commercial Division of the National Court Register under KRS No. 0000022460. The company was assigned statistical number REGON 710252031.

The duration of the Company is indefinite. The Company's financial year is the calendar year.

The core business of the Company includes a wide range of construction and assembly services, assembly of industrial equipment and installations provided in the general contracting system at home and abroad, as well as provision of administrative services to Polimex Mostostal Capital Group companies ("Capital Group", "Group"). The Company operates in the following segments: Power sector, Oil, Gas, Chemicals (Petrochemicals), Other Activities. A detailed description of the activities presented within each segment is included in Note 6. The Company's shares are listed on the Warsaw Stock Exchange. The Company is the parent company of the Group.

2. Approval of the accounts

On 22 April 2022, the Company's financial statements for the year ended 31 December 2021 were approved for issue by the Board of Directors.

The Company, as the parent company of the Group, has also prepared consolidated financial statements for the year ended 31 December 2021, which were authorised for issue on 22 April 2022.

The Company's financial statements are audited by an auditor, Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością spółka komandytowa.

3. Applied International Financial Reporting Standards platform

3.1. Statement of compliance

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

The Company's annual financial statements have been prepared in accordance with EU IFRS. In order to fully understand the financial position and results of operations of the Company as the parent company of the Group, these financial statements should be read in conjunction with the annual consolidated financial statements for the period ended 31 December 2021. The Consolidated Financial Statements will be available on the Company's website at www.polimex-mostostal.pl on a date consistent with the current report on the timing of the Group's consolidated financial statements for 2021.

3.2. Continuation of activities

These financial statements have been prepared on the assumption that the Company will continue in business for the foreseeable future. At the date of approval of these financial statements, there are no circumstances indicating a threat to the going concern.

The Management Board of Polimex Mostostal S.A., the parent company, has conducted an analysis of the impact of the SARS-CoV-2 virus outbreak on the financial situation and financial results of the Group for the current period and in the perspective of the coming quarters:

- 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, due to changes in the law, it became impossible to mobilise sufficient workers from Belarus and Ukraine to meet the schedule and due to the complete loss of capacity by the two largest Polish companies in the electrical sector, Elektrobudowa and Elsta - coinciding with the closure of the Polish borders - it became impossible to efficiently restore the lost resources. As a result, the electrical work belonging to a participant in the consortium - which lies in the main critical path of the project and on whose completion the date of the first firing of the gas turbine directly depended - was 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. Additionally, the Contract Price was increased by the total net amount of PLN 47 million, out of which the net amount of PLN 13 million was attributed to Polimex Mostostal S.A. 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 Employer 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. Due to illnesses among employees of both the Company and its subcontractors, as well as absences of employees resulting from the legal obligation to isolate and quarantine people who had contact with those who were diagnosed with the virus, on the one hand the Project management was significantly hampered, and on the other hand there were constant delays in the design process (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 implementing works included in the scope of the 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 Employer 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 large 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 school and kindergarten closures), limited the ability to properly implement 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 Employer, 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 Employer, 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 Employer, addressed all the questions and comments of the Employer, as well as included a 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 Employer. 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 No. 9 and No. 10 have been delayed and further deliveries of the gas turbine and steam turbine may not be completed on time, which could delay completion of the assembly works. 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 room, 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.
- The Company's liquidity is fully secured. The epidemic did not contribute to significant delays on the payment side from the Company'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 Company completed work on changing its financing structure, in particular it made an early repayment of bank financial debt and implemented changes to the terms of the bond issue optimising the terms of this financing. In 2021. The Company has significantly increased the value of available sources for obtaining bank and insurance guarantees to finance ongoing contracts. These actions positively translate into minimising the Company's liquidity risk in the current and future periods.

The Management of the Company 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.

The continuation of the Company's operations may also be affected by the war in Ukraine which commenced on 24 February 2022 as a result of the Russian invasion. Information on the impact of the war on the Company's position is set out in note 35.

3.3. Impact of new and amended standards and interpretations

In preparing the financial statements, the Company 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 have no 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;

(in thousands PLN)

- 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 as at 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 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;
- 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 Company'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 Company at the balance sheet date.

3.4. Changes in accounting policies and preparation of financial statements

The Company has changed the presentation of advances given for future purchases of goods and materials in the balance sheet. Previously, the Company presented advances for deliveries 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 liabilities as described above in the Company'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:

	Situation on 31 December 2020 (before amendment)	Change presentations	Situation on 31 December 2020 (as amended)
Current assets			
Inventories	4 123	(3 974)	149
Other receivables	110 812	3 974	114 786

4. Accounting principles (policy) adopted

4.1. Basis of preparation of the financial statements

These financial statements have been prepared under the historical cost concept, 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 financial statements are presented in Polish zlotys ("PLN") (the presentation currency) and all values, unless otherwise indicated, are given in thousands of zlotys ("PLN thousand").

4.2. Conversion of items denominated in foreign currencies

The functional currency of the Company is the Polish zloty.

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. The euro exchange rate at 31 December 2021 was: PLN 4.5994, while on 31 December 2020 it was: PLN 4.6148. Exchange differences arising from the translation and settlement of these items are recognised respectively under finance 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.

4.3. 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 warehouse, industrial and office character. The above class of assets is presented in the category "Land, buildings and structures" 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 charged to other comprehensive income and reported as accumulated other comprehensive income in equity. Reductions offsetting previous increases that relate to the same fixed asset are charged to other comprehensive income and deducted from revaluation reserve. Any remaining reduction shall be recognised in the profit and loss account. The capital item created in this way 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:

(in thousands PLN)

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.

4.4. 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 use, evidenced by the end of the owner's use of the asset or the conclusion of a lease agreement. If an asset used by the owner-Company less than 20% becomes an investment property, the Company applies the principles described in *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 investment property is disposed of, the difference between the sale price and the book value is recognised in the income statement.

4.5. 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, this period shall be taken into account the period for which the use may be extended
Development costs	5 years
Computer software	2-15 years

4.6. Impairment of non-financial fixed assets

At each balance sheet date, the Company 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 Company estimates the recoverable amount of the asset or the cash-generating unit to which the asset belongs if the asset does not independently generate cash inflows.

The recoverable amount of an asset or a cash-generating unit is the higher of the asset's or cash-generating unit'sfair 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 Company assesses whether there is any indication that an impairment loss recognised in prior periods in respect of an asset is unnecessary or should be reduced.

4.7. 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 under lease agreements and foreign exchange differences arising in connection with borrowing up to the amount corresponding to the adjustment to interest expense.

4.8. Interests in the profits of limited partnerships

The Company is a partner (limited partner) in subsidiaries that are limited partnerships. For each reporting period, the Company recognises financial income / expenses from its share of the profits / losses of these subsidiaries. Such receivables are presented under long-term receivables - if their maturity date exceeds 12 months from the balance sheet date - or under other receivables - if their maturity date does not exceed 12 months.

Financial income/expenses on the above account are recognised in the value of the results generated by the subsidiaries according to the Company's percentage share resulting from contractual arrangements between the partners. Financial income/expenses on this account are recognised in the financial year in which the subsidiary makes a profit/loss, regardless of the period in which this profit/loss is distributed or covered. Receivables are valued using the amortised cost method. Profit shares in limited partnerships are revalued for impairment on the basis of the rules set out for financial assets. Revaluations are presented as financial expenses.

4.9. 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 indirect production costs, established on the assumption of 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 Company 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.

4.10. 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.

4.11. Other receivables

Other receivables include in particular receivables from limited partnerships in which the Company is a partner advances 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.

4.12. Deposits transferred under construction contracts

Construction contract deposits are amounts due to the Company arising from amounts paid under ongoing construction contracts. In particular, the transferred deposits constitute collateral provided by the Company. Deposits are retained from sales invoices issued by the Company as services progress or are paid by the Company 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.

4.13. 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 include 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.

4.14. Financial instruments

Financial assets and liabilities are recognised when the Company becomes a party to a binding contract. Upon initial recognition, the Company measures a financial asset or financial liability at its fair value, except for trade receivables, which are measured at the transaction price - if they do not contain a significant 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 Company classifies a financial asset based on the Company'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:

- 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
- 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 Company 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 Company's entitlement to receive dividends arises.

The Company 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 Company applies a simplified approach and measures the allowance for expected credit losses at an amount equal to the lifetime expected credit losses using a provision matrix. The Company uses its historical credit loss data as well as information relating to its individual impairment risk assessment and considers the impact of forward-looking information. The allowance for expected credit losses recognised in the period is presented in note 14.

For other financial assets including cash, the Company measures the allowance for expected credit losses in 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 Company measures the allowance for expected credit losses on the financial instrument at an amount equal to the lifetime expected credit losses.

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

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

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

The Company does not apply hedge accounting.

4.15. 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.

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

4.16. Leasing

The Company 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 it is not possible to determine the lease interest rate, the Company uses the lessee's marginal interest rate, which averages 4.1%.

At the beginning of the contract, the Company 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 Company recognises a right-of-use asset and a lease liability at the inception of the lease. At the inception date, the Company 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 Company 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.

Subsequent to the commencement date of the lease, the Company 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 Company depreciates 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 (if the Company is highly likely to exercise the option). Where depreciation is recognised to the end of the useful life, the Company 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 Company presents right-of-use assets in the same balance sheet lines in which they would be presented if the Company 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 Company 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 7.4, 7.11, 11.1 and 20.

4.17. 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.

4.18. 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 it has been ascertained that the costs will benefit the Company in the future. Accruals primarily comprise:

- insurance,
- subscriptions,
- prepaid rentals that do not qualify for recognition as a lease.

4.19. Shares in subsidiaries

Interests in subsidiaries are measured at cost. Impairment losses on investments in subsidiaries are reversed when there is no longer any evidence of impairment, up to the estimated recoverable amount, but not higher than the amount that would have been recognised if no impairment had been recognised.

4.20. 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.

4.21. Trade liabilities

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

4.22. Other liabilities

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

4.23. Deposits received under construction contracts

Deposits received on construction contracts represent amounts arising from amounts received under ongoing construction contracts. The Company retains deposits from sales invoices issued by subcontractors as services progress or are paid by subcontractors 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 by suppliers. In subsequent periods, deposits are recognised at amortised cost. The impact of measurement at amortised cost is recognised as financial income / expense.

4.24. Employee benefit liabilities

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

Pursuant to the Company Collective Labour Agreement (ZUZP), the Company's employees are entitled to retirement and disability severance pay. Retirement benefits are paid as a one-off payment on retirement. The amount of the severance payment depends on the length of service with the Company and its legal predecessors (provided that the Company has a net profit two years in a row, otherwise the amount of the severance payment is one month's salary). The amount of severance pay is affected by the aforementioned seniority, but also by the average salary in the Company in December of the previous year. The Company recognises 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.

The Company's retirement benefit obligations are presented under employee benefit liabilities.

Post-employment benefits in the form of defined benefit plans (retirement and disability benefits) and other long-term employee benefits (including long-term disability benefits) are determined using the projected unit credit method from an 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.

4.25. Provisions

Provisions are recognised when the Company 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 Company 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 if 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.

4.26. Reserve capital from convertible bond surplus

The Company recognises separately the components of financial instruments that create its financial liability and give its holders the option to convert to an equity instrument of the Company. The Company is an issuer of bonds convertible into shares of the Company. At the date of issue of the bonds, or at the date of a material change in the terms of issue, the Company has 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 Company does not reclassify the liability and equity component based on changes in the probability of exercising the conversion option.

4.27. Revenue from contracts with customers

The Company 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 Company is able to identify each party's rights in the goods or services to be transferred;
- The Company is able to identify the terms of payment 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 Company will receive the consideration to which it is entitled in exchange for the goods or services to be provided to the customer.

The Company combines two or more contracts that are entered into concurrently or almost concurrently with the same customer (or related parties of the customer) 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 Company 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 Company 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 (the good or service is distinct within the contract itself).

The Company 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 Company 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 Company does not satisfy the performance obligation over time, the performance obligation is satisfied at a specific point in time.

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

The Company 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 total work effort.

When a performance obligation is satisfied (or in the process of being satisfied), the Company 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.

In determining the transaction price, the Company takes into account the terms of the contract. The transaction price is the amount of consideration that the Company 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 Company adjusts the promised consideration by the change in the time value of money if the time distribution of payments agreed by the parties to the contract (either explicitly or implicitly) gives the Company a material benefit or generates a material financial cost for financing the transfer of goods or services. In such circumstances, the Company 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 stated in the contract or arises from the terms of payment agreed by the parties to the contract.

The Company 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 Company, as one of the parties to a contract, has fulfilled an obligation, the Company 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 Company presents any unconditional rights to receive consideration separately as trade receivables.

The Company presents advances received in the contract valuation item.

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

A company is a principal if it exercises control over the promised good or service before transferring it to the customer. However, the company need not act as principal if it obtains title to the product only temporarily before it is transferred to the customer. The company acting as principal in the contract may fulfil the performance obligation itself or may entrust the fulfilment of that obligation or part thereof to another entity (e.g. a subcontractor) on its behalf. When the principal Company 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 company acts as an intermediary if its performance obligation is to ensure the provision of goods or services by another entity. If the Intermediary Company fulfils a performance obligation, it recognises revenue in the amount of any fee or commission to which the entity 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 Company retains after paying another entity for goods or services provided by that entity.

4.28. Taxes

<u>Current tax</u>

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

<u>Deferred tax</u>

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. An unrecognised deferred tax asset is reassessed at each balance sheet date and is 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.

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

If the Company determines that it is not probable that the tax authority will accept the Company's treatment of a tax issue or group of tax issues, then the Company reflects the effect of the uncertainty in the accounting treatment of the tax in the period in which it determines this. The Company 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 company determines the most likely scenario - this is a single amount among possible outcomes or
- The company 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, note 4.3

The Company reviews the expected useful 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 Company 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 Company uses the revaluation model for the asset class: property and structures. Where revaluations are carried out, the Company obtains fair value appraisals for individual property and structure locations. 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 11.3.

Impairment of assets

The Company 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.

Deferred tax asset, note 8.3

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

Revenue recognition, note 15

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 frequency 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 Company applies the percentage of completion method when accounting for long-term contracts. The application of this method requires the Company to estimate the proportion of work performed to date to the total services to be performed. The degree of progress 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 Company recognises the effects of changes in estimates in the result of the period.

Valuation of employee benefit obligations - retirement and disability severance payments

Provisions for employee benefits have been estimated using actuarial methods. The assumptions adopted for this purpose are set out in note 24.

Provision for warranty repairs, note 23

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 are used within the first 3 to 5 years after completion of the investment in proportions corresponding to the repair costs actually incurred.

Provision for litigation, note 23

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 23

The estimation of the amount of the contractual penalties is carried out by the technical services involved in 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 23

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

Provision for anticipated losses on construction contracts, note 23

At each balance sheet date, the Company 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 23

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 receivables and materials

At each balance sheet date, the Company 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 Company makes individual allowances for receivables and the Company includes the remaining receivables in the allowance for expected credit losses. The technique for calculating write-downs is described in note 4.14.

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

(in thousands PLN)

6. Reporting segments

For management purposes, the Company has been divided into parts based on the products manufactured and services provided. Due to not meeting the quantitative thresholds set out in IFRS 8, the Company has combined the segment information: Industrial Construction and the Infrastructure Construction segment with the information presented in the Other Activities segment. There are therefore the following reportable segments:

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 industry, prefabrication and assembly of steel constructions, pipelines, technological, 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.
Other activities	industrial and infrastructure construction as well as equipment and transport services, rental services, leases, laboratory tests, equipment maintenance, other services not included in other segments, participation in profits / (losses) of limited partnerships in which the Company holds shares.

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 the Company 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 Company'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.

Year ended 31 December 2021	Power sector	Oil, gas, chemicals	Other activities	Total activity
Revenue				
Sales to external customers	883 493	96	45 525	**929 114**
Sales between the segments	-	-	-	**-**
Total segment revenues	883 493	96	45 525	**929 114**
Results				
Segment profit / (loss) from operating activities	65 570	423	(1 836)	**64 157**
Balance of financial income and costs	445	-	34 704	**35 149**
Segment's gross profit / (loss)	66 015	423	32 868	**99 306**

(in thousands PLN)

Year ended 31 December 2020	Power sector	Oil, gas, chemicals	Other activities	Total activity
Revenue				
Sales to external customers	383 988	291	41 097	**425 376**
Sales between the segments	-	-	-	**-**
Total segment revenues	**383 988**	**291**	**41 097**	**425 376**
Results				
Segment profit / (loss) from operating activities	37 674	291	(11 182)	**26 783**
Balance of financial income and costs	(201)	138	65 038	**64 975**
Segment's gross profit / (loss)	**37 473**	**429**	**53 856**	**91 758**

7. Revenues and costs

7.1. Sales revenues by category

Revenue by type of good or service

Year ended 31 December 2021	Power sector	Oil, gas, chemicals	Other activities	Total activity
Revenue from sale of construction and other services	883 466	-	24 773	**908 239**
Revenue from sale of goods and materials	26	96	200	**322**
Rental income	1	-	20 552	**20 553**
Total sales revenues	**883 493**	**96**	**45 525**	**929 114**

Year ended 31 December 2020	Power sector	Oil, gas, chemicals	Other activities	Total activity
Revenue from sale of construction and other services	383 981	252	21 966	**406 199**
Revenue from sale of goods and materials	6	39	360	**405**
Rental income	1	-	18 771	**18 772**
Total sales revenues	**383 988**	**291**	**41 097**	**425 376**

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

Revenue from the sale of goods and materials is revenue earned at a point in time. In contrast, revenue from the sale of services is revenue earned over time.

Geographical information

During 2021 and 2020, the Company did not realise any revenue outside the country. The Company classifies sales as either domestic or foreign based on the location of the service provided or delivery made.

7.2. Key customers

In 2021, the Company had three customers for which sales exceeded 10% of sales revenue. Sales to these customers amounted to PLN 655.4 million and are presented in the Energy segment.

7.3. Significant events relating to ongoing contracts

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

- 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 new unit at Żerań CHP Plant,
- contract for the construction of a Gas-Steam Combined Heat and Power Plant in Siechnice (Czechnica).

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 Company's net profit is approximately 99% of this amount. 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, on 17 November 2021 Polimex Mostostal S.A. applied to the Ordering Party 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 was signed between the Employer and the Consortium, according to which it was approved to postpone part of the payment of the Execution Stage No. 11, being of the General Electric scope, 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 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 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.

Żerań Combined Heat and Power Plant

Since June 2017, the Company (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 Company 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 to the extent attributable to the Company increased by PLN 5 426 thousand. The annex also extended the deadline for signing a protocol on commissioning of the unit by the client, which was 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 No. 3 was signed between the ordering party and the consortium resulting in an increase in remuneration to the extent attributable to the Company in the amount of PLN 2,492 thousand.

On 17 April 2020, a Pre-Judicial Settlement Agreement was signed between the Employer 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 to the extent attributable to the Company 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 work without affecting the contract price to the extent attributable to the Company. 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 payable to the Company 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 Company in the amount of PLN 13,000 thousand. on the same day, a settlement was concluded, constituting at the same time Annex No. 7, by virtue of which additional remuneration was granted to the Company in the amount of PLN 13,000,000 on account of the occurrence of the SARS-CoV-2 pandemic during the performance of the contract, directly affecting the possibility of the performance of the contract; in connection with this, the deadline for the performance of the contract was extended to 30 September 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, a Protocol of the Commission for Acceptance and Commissioning of the CCGT unit at Żerań CHP Plant was signed.

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 Employer 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.

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) and 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 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 Contract), II stage: 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

(in thousands 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 valid until 30 May 2025.

7.4. Costs by type

	Year ended 31 December 2021	Year ended 31 December 2020
Depreciation	8 993	7 782
Consumption of materials and energy	144 838	22 416
External services, including construction	647 499	322 860
Taxes and charges	3 328	3 793
Employee benefits costs	68 255	51 890
Other costs by nature	5 501	2 073
Total costs by type	**878 414**	**410 814**
Items included in general administrative expenses	(32 349)	(34 705)
Value of goods and materials sold	244	183
Change in products	-	-
Costs of goods sold	**846 309**	**376 292**

Costs from short-term leases and leases of low-value assets incurred during 2021 amounted to PLN 6,019 thousand (in 2020: PLN 4,784 thousand). These costs are presented as part of the cost of external services.

Costs relating to properties on which the company earns rental income amounted to 2021: PLN 10 589 thousand, while in 2020: PLN 12 943 thousand.

7.5. 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	**8 257**	**7 122**
Depreciation of fixed assets	8 182	6 949
Depreciation of intangible assets	75	173
Items included in general administrative expenses	**736**	**660**
Depreciation of fixed assets	697	621
Depreciation of intangible assets	39	39
Total depreciation	**8 993**	**7 782**
Total depreciation of fixed assets	8 879	7 570
Total depreciation of intangible assets	114	212

7.6. Employee benefits costs

	Year ended 31 December 2021	Year ended 31 December 2020
Remuneration	59 260	44 050
Social security costs	7 807	6 296
Pension costs	189	362
Write-offs for the Company Social Benefits Fund	537	435
Other	462	747

(in thousands PLN)

Total employee benefits costs	**68 255**	**51 890**

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

	Year ended 31 December 2021	Year ended 31 December 2020
Impairment losses on receivables	(125)	(174)
Impairment losses on loans	236	155
Profit / (losses) on impairment of financial assets	**111**	**(19)**

7.8. Other operating revenue

	Year ended 31 December 2021	Year ended 31 December 2020
Profit from disposal of tangible fixed assets	1 820	514
Released and used provisions for litigation	3 360	8 383
Released provisions for contract settlement costs	-	5 994
Released reserves for warranty repairs	-	65
Gain on revaluation of investment tangible fixed assets at fair value	10 338	400
Damages and penalties obtained	759	331
Cancellation of liabilities	1 031	3 236
Other	563	666
Total other operating revenue	**17 871**	**19 589**

7.9. Other operating costs

	Year ended 31 December 2021	Year ended 31 December 2020
Write-downs on non-financial fixed assets	-	4 981
Damages and penalties	193	237
Court costs	3 346	991
Changes in the terms and conditions of leasing contracts	-	470
Other	742	487
Total other operating costs	**4 281**	**7 166**

7.10. Financial income

	Year ended 31 December 2021	Year ended 31 December 2020
Interest income from banks and loans	609	4 047
Interest income on late payment of receivables	791	1 084
Dividend income	42 150	15 946
Profit from sale of financial assets	166	4
Result on liquidation of a subsidiary	978	-
Foreign exchange gains	706	-
Valuation of long-term settlements at amortised cost	-	2 201
Release of provisions for financial costs	45	30
Release of share write-downs	-	1 938
Interests in the profits of limited partnerships	4 271	61 155
Amendment to the terms and conditions of the bond issue	-	2 793
Gain on change in expected cash flows on loans received	-	976
Other	120	-
Total financial income	**49 836**	**90 174**

In 2021, the value of PLN 4 271 thousand of shares in the profits of limited partnerships consists of shares in the profits of companies: Polimex Opole Sp. z o.o. Sp.k., Polimex Budownictwo Sp. z o.o. Sp. k. and Polimex Operator Sp. z o.o. Sp. k.

(in thousands PLN)

The dividend income recognised in 2021 related to dividends granted from subsidiaries: Naftoremont - Naftobudowa Sp. z o.o. (in the amount of PLN 37 150 thousand), Polimex Infrastruktura Sp. z o.o. (in the amount of PLN 3 million), and Stalfa Sp. z o.o. (PLN 2 million).

7.11. Financial costs

	Year ended 31 December 2021	Year ended 31 December 2020
Interest on bank loans and borrowings	1 103	3 796
Interest and commissions on bonds	6 343	15 699
Interest on other liabilities	499	109
Bank commissions on guarantees and loans	937	1 186
Foreign exchange losses	-	513
Financial costs of lease agreements	954	734
Valuation of long-term settlements at amortised cost	167	-
Participation in losses of limited partnerships	4 285	-
Costs of a material change to the terms and conditions of a bond issue	-	2 956
Costs of early repayment of loans	-	206
Other	399	-
Total financial costs	**14 687**	**25 199**

In 2021, shares in losses of Mostostal Siedlce Sp. z o.o. are presented. Sp.k. in the amount of PLN 4 285 thousand.

8. Income tax

8.1. Current income tax

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

	Year ended 31 December 2021	Year ended 31 December 2020
Profit and loss account		
Current income tax expense	122	(19)
Foreign income tax for previous years	(102)	-
Deferred income tax	(10 330)	(30 345)
Tax expense from continuing operations as shown in the profit and loss account	**(10 310)**	**(30 364)**
Comprehensive income statement		
Deferred income tax on revaluation of land and buildings	(14)	-
Deferred income tax relating to the measurement of post-employment benefit liabilities	(26)	1
Tax expense from continuing operations as shown in the statement of comprehensive income	**(40)**	**1**

Income tax on profit before tax differs as follows from the theoretical amount, calculated by applying the weighted average tax rate (applicable applicable to the Company's profit):

	Year ended 31 December 2021	Year ended 31 December 2020
Profit/(loss) before taxation	99 306	91 758
Tax at Poland's statutory tax rate of 19% in 2021 (2020: 19%)	(18 868)	(17 434)
Tax effects of the following items:		
- Non-taxable income	10 307	6 577

(in thousands PLN)

- Non-deductible costs	(1 689)	(1 942)
- Accounting for temporary differences relating to limited partnerships	-	2 528
- Loss of right to settle temporary differences from limited partnerships	-	(25 634)
- Recognition by the capitals of the deferred tax liability on the capital element of the bonds issued	-	5 414
- Other	(60)	127
Charges to the financial result due to income tax	**(10 310)**	**(30 364)**

As a result of changes in corporate income tax, as of 1 January 2021, limited partnerships in which the Company is a partner are independently liable for income tax. Accordingly, from 1 January 2021, these companies account for any differences between the tax and accounting values of the assets and liabilities held. Polimex Mostostal does not settle the tax result of limited partnerships in which it is a partner. This change is presented in the table above under the heading: "Loss of right to settle temporary differences from limited partnerships" in the amount of PLN 25 634 thousand for 2020.

8.2. Deferred income tax

The table below presents deferred tax assets and liabilities before offsetting.

	As at 31 December 2021	As at 31 December 2020
Deferred tax assets:		
- to be implemented after 12 months	3 089	10 167
- to be implemented within 12 months	98 910	110 708
	101 999	**120 875**
Deferred tax liability:		
- to be implemented after 12 months	6 654	2 268
- to be implemented within 12 months	2 492	15 383
	9 146	**17 651**

(in thousands PLN)

8.3. Deferred tax assets and liabilities

Deferred tax assets	Employee benefit liabilities	Other employee benefits	Inventory write-downs	Impairment losses on receivables	Valuation of long-term contracts	Provisions and accruals	Past due liabilities	Tax losses	Accrued interest	Deferred tax relating to temporary differences in a limited partnership	Debt financing limit	Other	Total
Status on 1 January 2020	**182**	**838**	**566**	**9 102**	**12 798**	**14 272**	**116**	**74 523**	**9 411**	**21 072**	**7 624**	**4 185**	**154 689**
Recognition / (charge) of financial result	54	141	(31)	418	37 282	5 500	(116)	(35 278)	(8 989)	(21 072)	(7 624)	(4 100)	**(33 815)**
Recognition/(charge) of other comprehensive income	1	-	-	-	-	-	-	-	-	-	-	-	**1**
As at 31 December 2020	**237**	**979**	**535**	**9 520**	**50 080**	**19 772**	**-**	**39 245**	**422**	**-**	**-**	**85**	**120 875**
Recognition / (charge) of financial result	2 804	(683)	(131)	516	(565)	10 988	5	(31 588)	(442)	-	-	260	**(18 836)**
Recognition/(charge) of other comprehensive income	(26)	-	-	-	-	-	-	-		-	-	(14)	**(40)**
As at 31 December 2021	**3 015**	**296**	**404**	**10 036**	**49 515**	**30 760**	**5**	**7 657**	**(20)**	**-**	**-**	**331**	**101 999**
Net presentation of deferred tax assets and liabilities													(9 146)
Deferred tax assets in the balance sheet													**92 853**

Deferred tax liability	Temporary differences on fixed assets	Valuation of long-term contracts	Equity element of bonds	Other	Total
Status on 1 January 2020	**3 510**	**7 337**	**-**	**3 436**	**14 283**
Charge / (recognition the financial result	(1 077)	5 739	(5 050)	(3 082)	(3 470)
Charge / (recognition other comprehensive income	-	-	-	-	-
Charge / (recognition capital items	-	-	6 838	-	6 838
As at 31 December 2020	**2 433**	**13 076**	**1 788**	**354**	**17 651**
Charge / (recognition the financial result	4 222	(13 076)	-	349	(8 505)
Charge / (recognition other comprehensive income	-	-	-	-	-
Charge / (recognition capital items	-	-	-	-	-
As at 31 December 2021	**6 655**	**-**	**1 788**	**703**	**9 146**
Net presentation of deferred tax assets and liabilities					(9 146)
Deferred tax liability in the balance sheet					**-**

(in thousands PLN)

As at 31 December 2021, the Company had PLN 40,300 thousand. of unused tax losses. The value of recognised deferred tax assets due to the existence of unused tax losses amounted to PLN 7,657 thousand. There are no unrecognised tax loss assets at 31 December 2021. The Company analysed 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 Company will use the tax loss assets in full for 2022.

9. Dividends paid and proposed to be paid

The Company has not declared or paid dividends in 2020 and 2021. The Company does not expect to pay a dividend in 2022 for the financial year ended 31 December 2021.

10. Earnings per share

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

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

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

	Year ended 31 December 2021	Year ended 31 December 2020
Net profit / (loss)	**88 996**	**61 394**
Basic earnings/ (loss) per share (in PLN):		
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 earnings/(loss) per share	236 618 802	236 618 802
Basic earnings / (loss) per share	**0,376**	**0,259**
Net profit / (loss)	**88 996**	**61 394**
Adjustment to net profit/(loss) - interest expense on bonds convertible into shares	5 138	12 716
Net profit / (loss) after adjustment for calculation of diluted loss per share	94 134	74 110
Diluted earnings/(loss) per share (in PLN):		
Dilutive potential ordinary shares related to convertible bonds	48 000 000	48 000 000
Potentially dilutive weighted average number of ordinary shares used in the calculation of diluted earnings/(loss) per share	48 000 000	48 000 000
Diluted earnings / (loss) per share	**0,331**	**0,260**

(in thousands PLN)

11. Tangible fixed assets

11.1. Table of movements of property, plant and equipment

The table below 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	Total
Own tangible assets	11 382	4 789	7	327	57	**16 562**
Right-of-use assets	13 198	89	9 113	2 618	-	**25 018**
Total fixed assets	**24 580**	**4 878**	**9 120**	**2 945**	**57**	**41 580**

The table below 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	Total
Net value at 1 January 2021	**10 366**	**3 669**	**51**	**391**	**2 415**	16 892
Acquisition of tangible fixed assets	152	1 557	7	100	27	**1 843**
Settlement of a tangible fixed asset under construction	-	1 818	567	-	(2 385)	**-**
Sale and liquidation of tangible fixed assets	-	(534)	(9)	(10)	-	**(553)**
Reclassification	-	-	(567)	-	-	**(567)**
Value update	1 507	-	-	-	-	**1 507**
Depreciation charge for the financial period	(643)	(1 721)	(42)	(154)	-	**(2 560)**
Net value at 31 December 2021	**11 382**	**4 789**	**7**	**327**	**57**	**16 562**
Status on 1 January 2021						
Gross value	12 457	37 116	2 248	11 340	3 805	**66 966**
Depreciation and impairment allowance	(2 091)	(33 447)	(2 197)	(10 949)	(1 390)	**(50 074)**
Net value at 1 January 2021	**10 366**	**3 669**	**51**	**391**	**2 415**	**16 892**
As at 31 December 2021						
Gross value	12 952	31 329	1 164	8 641	1 447	**55 533**
Depreciation and impairment allowance	(1 570)	(26 540)	(1 157)	(8 314)	(1 390)	**(38 971)**

(in thousands PLN)

Net value at 31 December 2021	**11 382**	**4 789**	**7**	**327**	**57**	**16 562**

The following table presents the rights to use assets recognised under the leases 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	14 600	175	4 280	932	**19 987**
Conclusion of new lease agreements	893	14	7 480	2 426	**10 813**
Termination of leasing contracts	-	(6)	(24)	-	**(30)**
Reclassification	-	-	567	-	**567**
Depreciation charge for the financial period	(2 295)	(94)	(3 190)	(740)	**(6 319)**
Net value at 31 December 2021	**13 198**	**89**	**9 113**	**2 618**	**25 018**
Status on 1 January 2021					
Gross value	18 406	472	8 441	984	**28 303**
Depreciation and impairment allowance	(3 806)	(297)	(4 161)	(52)	**(8 316)**
Net value at 1 January 2021	**14 600**	**175**	**4 280**	**932**	**19 987**
As at 31 December 2021					
Gross value	19 299	342	13 632	3 411	**36 684**
Depreciation and impairment allowance	(6 101)	(253)	(4 519)	(793)	**(11 666)**
Net value at 31 December 2021	**13 198**	**89**	**9 113**	**2 618**	**25 018**

(in thousands PLN)

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

Net value	Land, buildings and structures	Machinery and equipment	Means of transport	Other tangible fixed assets	Tangible fixed assets under construction	Total
Own tangible fixed assets	10 366	3 669	51	391	2 415	16 892
Right-of-use assets	14 600	175	4 280	932	-	19 987
Total fixed assets	**24 966**	**3 844**	**4 331**	**1 323**	**2 415**	**36 879**

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	**10 610**	**3 681**	**115**	**276**	**-**	**14 682**
Acquisition of non-current assets	765	1 207	-	356	2 415	**4 743**
Sale and liquidation of tangible fixed assets	-	(13)	-	-	-	**(13)**
Reclassification from/to assets held for sale	(17)	161	6	(66)	-	**84**
Depreciation charge for the financial period	(992)	(1 367)	(70)	(175)	-	**(2 604)**
Net value at 31 December 2020	**10 366**	**3 669**	**51**	**391**	**2 415**	**16 892**
On 1 January 2020						
Gross value	11 724	40 600	2 609	13 763	1 390	**70 086**
Depreciation and impairment allowance	(1 114)	(36 919)	(2 494)	(13 487)	(1 390)	**(55 404)**
Net value at 1 January 2020	**10 610**	**3 681**	**115**	**276**	**-**	**14 682**
As at 31 December 2020						
Gross value	12 457	37 116	2 248	11 340	3 805	**66 966**
Depreciation and impairment allowance	(2 091)	(33 447)	(2 197)	(10 949)	(1 390)	**(50 074)**
Net value at 31 December 2020	**10 366**	**3 669**	**51**	**391**	**2 415**	**16 892**

(in thousands PLN)

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

	Land, buildings	Machinery and equipment	Means of transport	Other tangible fixed assets	Total
Net value at 1 January 2020	1 694	226	3 729	-	**5 649**
Conclusion of new lease agreements	14 941	136	3 308	984	**19 369**
Termination of leasing contracts	-	(9)	(56)	-	**(65)**
Depreciation charge for the financial period	(2 035)	(178)	(2 701)	(52)	**(4 966)**
Net value at 31 December 2020	**14 600**	**175**	**4 280**	**932**	**19 987**
Situation on 1 January 2020					
Gross value	3 465	406	7 064	-	**10 935**
Depreciation and impairment allowance	(1 771)	(180)	(3 335)	-	**(5 286)**
Net value at 1 January 2020	**1 694**	**226**	**3 729**	**-**	**5 649**
As at 31 December 2020					
Gross value	18 406	472	8 441	984	**28 303**
Depreciation and impairment allowance	(3 806)	(297)	(4 161)	(52)	**(8 316)**
Net value at 31 December 2020	**14 600**	**175**	**4 280**	**932**	**19 987**

(in thousands PLN)

11.2. Fair values of land, buildings and structures

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses, except for the class of assets defined as real estate and structures permanently connected with land, i.e. real estate developed with a complex of buildings of warehouse, industrial and office character ("Land and buildings"). This class of assets is measured using the revalued amount model (fair value) model.

The Company employs external independent valuers to determine the fair value of land, buildings and structures owned by the Company. In 2021, the fair values of the properties were determined in the form of appraisal reports prepared by independent appraisers (company Polish Properties Sp. z o.o.). The techniques used for valuation were based on unobservable inputs. 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, income stream discounting technique.

Fair value measurement is categorised in the fair value hierarchy at level 3. Relevant information regarding valuation techniques and parameters used, as well as significant unobservable data, is presented in the following table presenting summary of data relevant to the investment property valuations performed.

The value of fixed assets subject to valuation if the Company had not carried out this valuation of fixed assets in accordance with the revalued value model would have amounted to PLN 9,109 thousand as at 31 December 2021.

The table below shows the fixed assets that were subject to fair value measurement in 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 non-current assets have been fully classified in level 3 of the fair value hierarchy. No valuation was carried out in 2020.

	Fair value as at 31 December 2021 Level 3
Real estate with a complex of buildings of warehouse, industrial and office character, including land	10 602
Total	**10 602**

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

Description	Fair value as at 31 December 2021	Valuation technique	Unobservable data	Range of unobservable data (probability weighted average)	Relationship between unobservable inputs and fair value
Real estate with a complex of warehouse, industrial and office buildings, including land constituting a part of the real estate	10 602	Income approach, investment method, income stream discounting technique	All Risks Equivalent Yield	R = 8,75%	A small increase in the rate applied would result in a significant decrease in the fair value of the property (and vice versa).
			Rental rate	- PLN 19.18 - 30.50 per square metre per month for office properties (Siedlce county);	A significant increase in market rent would result in a significant increase in fair value (and vice versa).
				- 20-60 PLN per square metre per month for above-ground parking spaces (Siedlce County);	

(in thousands PLN)

11.3. Investment properties

	Year ended 31 December 2021	Year ended 31 December 2020
Value at 1 January	**38 944**	**37 994**
Increasing the state:		
- investment expenditure incurred	157	950
Valuation	(1 808)	-
Value at 31 December	**37 293**	**38 944**

Rental income generated by investment properties amounted to 4,171 thousand in 2021 and 5,495 thousand in 2020. Direct operating expenses relating to investment properties that generated rental income amounted to PLN 1,761 thousand in 2021 and PLN 2,849 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 techniques used for valuation were based on unobservable inputs. 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 for determining the market value of the property would be the income approach, the investment method, income stream discounting technique.

The table below shows the investment properties that were subject to fair value measurement in 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.

	Fair value as at 31 December 2021 Level 3	Fair value as at 31 December 2020 Level 3
Real estate with a complex of buildings of warehouse, industrial and office character, including land	37 293	38 944
Total	**37 293**	**38 944**

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

(in thousands PLN)

Description	Fair value as at 31 December 2021	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	37 293	Income approach, investment method, income stream discounting technique	Rental rate	- average price per square metre of comparable real estate PLN 12.10 (Jasło county) for warehouse purpose,	An increase in the average price per square metre drives up property values (and vice versa)
				- average price per square meter of comparable real estate in Płock county : PLN 8 - 20 for warehouse and production space; PLN 25 - 32 per metre for office space; PLN 3 per metre for storage yards;	
				- 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	
			All Risks Equivalent Yield	The rate of return was applied taking into account the type of property, prevailing market conditions, 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).

(in thousands PLN)

12. Financial assets

12.1. Long-term financial assets

	As at 31 December 2021	As at 31 December 2020
Shares in subsidiaries	458 402	475 270
Shares in associates	2 263	2 263
Bank guarantee deposits	625	-
Loans	13 836	9 300
Total	**475 126**	**486 833**

Change in long-term financial assets - shares

	As at 31 December 2021	As at 31 December 2020
Status on 1 January	**477 533**	**475 461**
Increases	**1 494**	**2 203**
Acquisition of shares	1 494	265
Revaluation - reversal of write-downs	-	1 938
Reductions	**(18 362)**	**(131)**
Sale of shares	(7 194)	(131)
Winding up of the company	(11 168)	-
As at 31 December	**460 665**	**477 533**

The value of shares held in subsidiaries decreased in relation to 31 December 2020 by PLN 16,868 thousand. During 2021 the Company acquired shares in Instal Lublin S.A., sold its shares to Polimex Mostostal Ukraine and liquidated two units: BR Development Sp. z o. o. in liquidation and Polimex-Development Inwestycje Spółka z ograniczoną odpowiedzialnością Apartamenty Tatarska Spółka komandytowo-akcyjna in liquidation. As part of the sale and liquidation of shares, the Company received proceeds of PLN 19,405 thousand.

Due to the loss generated in the subsidiary Mostostal Siedlce Sp. z o.o. Sp. k., the Management Board of the Company performed a test for permanent impairment of the net assets held in the amount of PLN 302,111 thousand. The valuation was made using 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. The test did not identify any risk of permanent impairment of assets held in Mostostal Siedlce Sp. z o.o. Sp. k.

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.

Interests in related parties are presented in note 12.3.

12.2. Short-term financial assets

	As at 31 December 2021	As at 31 December 2020
Bank guarantee deposits related to contracts	26	2 026
Loans	1 784	30 632
Total	**1 810**	**32 658**

The significant decrease in loans is mainly due to repayment of loans by related parties: Mostostal Siedlce Sp. z o.o. Sp. k. in the amount of PLN 22 231 thousand and Polimex Energetyka Sp. z o.o. in the amount of PLN 4 573 thousand.

(in thousands PLN)

12.3. Interests in related parties at 31 December 2021

Lp.	Unit	Headquarters	Scope of activity	Value of shares at purchase price	Write-downs	Carrying amount of shares	% share
	Subsidiaries						
1	Mostostal Siedlce Sp. z o.o. Sp. k.	Siedlce	Manufacture of metal and other structures	208 039	-	208 039	99%
2	Polimex Energetyka Sp. z o.o.	Warsaw	Execution of construction works	223 257	(85 309)	137 948	100%
3	Naftoremont - Naftobudowa Sp. z o.o.	Plock	Execution of construction works	53 518	-	53 518	100%
4	Polimex Operator Sp. z o.o. Sp. k.	Warsaw	Renting and leasing of construction machinery and equipment	16 983	-	16 983	98,99%
5	Chervonogradsky Steel Construction Plant	Chervonograd, Ukraine	Manufacture of metal structures	9 035	-	9 035	100%
6	Polimex Opole Sp. z o.o. Sp.k.	Warsaw	Execution of construction works	8 052	-	8 052	99,80%
7	Polimex Budownictwo Sp. z o.o. Sp. k.	Siedlce	Execution of construction works	5 475	-	5 475	98,99%
8	Stalfa Sp. z o.o.	Sokołów Podlaski	Manufacture of metal products	5 294	-	5 294	100%
9	Polimex Infrastruktura Sp. z o.o.	Warsaw	Construction of roads and motorways	5 269	-	5 269	100%
10	Energomontaż - Północ Bełchatów Sp. z o.o.	Rogowiec	Specialised construction and assembly services	4 198	-	4 198	54,95%
11	Polimex Centrum Usług Wspólnych Sp. z o.o. in liquidation	Warsaw	Does not carry out activities	4 180	(3 162)	1 018	100%
12	Polimex Mostostal ZUT Sp. z o.o.	Siedlce	Technical services	1 006	-	1 006	100%
13	Polimex Mostostal GmbH	Dortmund, Germany	Execution of construction works	441	-	441	100%
14	Polimex Budownictwo Sp. z o.o.	Siedlce	Does not carry out activities	11 242	(11 090)	152	100%
15	Instal Lublin S.A.	Lublin	Specialised construction services	1 494	-	1 494	100%
16	Other			45 636	(45 156)	480	
	Associated companies						
1	Finow Polska Sp. z o.o.	Ostrowiec Świętokrzyski	Specialised construction and assembly services	2 263	-	2 263	26,4%
			Total	**605 382**	**(144 717)**	**460 665**	

(in thousands PLN)

13. Trade and other receivables

	Note	As at 31 December 2021	As at 31 December 2020
Trade receivables		**218 560**	**309 286**
- from related parties	27	60 286	28 361
- from other entities		158 274	280 925
Other receivables		**96 224**	**114 786**
Other receivables from third parties		1 777	1 163
Other receivables from related parties		94 447	113 623
Total receivables (net)		**314 784**	**424 072**
Allowances for trade and other receivables	14	62 207	62 231
Total receivables (gross)		**376 991**	**486 303**

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

Settlements and turnover with related parties are presented in note 27.2. There is credit risk associated with trade receivables - see note 30.3 for further information. Impairment of trade receivables during the year ended 31 December 2021 is disclosed in note 14.

14. Financial instruments - impairment

Classification of financial assets measured at amortised cost into the different stages of the impairment model:

Financial instruments	As at 31 December 2021 Grade 1 12-month ECL	Grade 2 ECL for life - without loss of value	Grade 3 ECL over a lifetime - with impairment
Gross carrying amount	**704 111**	**371 880**	**84 989**
Trade receivables	-	219 666	57 067
Other receivables*	-	96 483	4 034
Deposits under construction contracts	-	39 959	3 951
Loans (granted)	-	15 772	19 937
Bank guarantee deposits	651	-	-
Cash and cash equivalents	703 460	-	-
Write-downs	**-**	**(1 282)**	**(84 989)**
Trade receivables	-	(1 106)	(57 067)
Other receivables	-	-	(4 034)
Deposits under construction contracts	-	(24)	(3 951)
Loans (granted)	-	(152)	(19 937)
Carrying amount	**704 111**	**370 598**	**-**
Trade receivables	-	218 560	-
Other receivables	-	96 483	-
Deposits under construction contracts	-	39 935	-
Loans (granted)	-	15 620	-
Bank guarantee deposits	651	-	-
Cash and cash equivalents	703 460	-	-

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

(in thousands PLN)

Financial instruments	As at 31 December 2020 12-month ECL	ECL for life - without loss of value	ECL over lifetime - impaired
Gross carrying amount	**211 435**	**487 865**	**111 400**
Trade receivables	-	309 713	57 726
Other receivables*	-	111 047	4 078
Deposits due to the construction contracts	-	26 786	3 962
Loans (granted)	-	40 319	45 634
Bank guarantee deposits	2 026	-	-
Cash and cash equivalents	209 409	-	-
Write-downs	-	**(829)**	**(111 400)**
Trade receivables	-	(427)	(57 726)
Other receivables*	-	-	(4 078)
Deposits due to the construction contracts	-	(15)	(3 962)
Loans (granted)	-	(387)	(45 634)
Carrying amount	**211 435**	**487 036**	-
Trade receivables	-	309 286	-
Other receivables*	-	111 047	-
Deposits due to the construction contracts	-	26 771	-
Loans (granted)	-	39 932	-
Bank guarantee deposits	2 026	-	-
Cash and cash equivalents	209 409	-	-

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

The following summary shows the ratios used to estimate expected credit losses as at 31 December 2021.

Trade receivables and deposits	Current and 30 days after the due date	Past due from 31 to 90 days	Overdue between 91 and 180 days	Past due more than 180 days
Ratio	0,05%	0,34%	2,21%	14,81%
Amount of allowance for expected credit losses as at 31 December 2021	124	10	51	945

Loans	Current and 30 days after the due date	Past due from 31 to 90 days	Overdue between 91 and 180 days	Past due more than 180 days
Ratio	0,96%	-	-	-
Amount of allowance for expected credit losses as at 31 December 2021	152	-	-	-

The calculation of expected credit loss ratios is based on historical balance sheet data on balances of financial assets (comprising long-term receivables, deposits, trade receivables) and the value of impairment losses recognised in the corresponding periods. The ratios were estimated as the ratio of the sum of impairment losses created to the sum of the balances of financial assets by time structure.

A reconciliation of impairment losses on trade receivables is shown in the table below.

	As at	As at

	31 December 2021	31 December 2020
Opening balance of allowances	**58 153**	**58 232**
Establishment of an allowance for accounts receivable	97	75
Use of	(107)	(135)
Dissolution due to repayment of receivables	(661)	(249)
Reclassification from write-downs on deposits and assets held for sale	11	(74)
Conversion due to recognition of allowance for expected credit losses (+) increases / (-) decreases	680	304
Closing balance of allowances	**58 173**	**58 153**

A reconciliation of the allowance for deposits receivable is shown in the table below.

	As at 31 December 2021	As at 31 December 2020
Opening balance of allowances	**3 977**	**3 958**
Write-downs - increases	-	-
Reclassification	(11)	74
Solution	-	-
Use of	-	-
Change due to recognition of allowance for expected credit losses (IFRS 9) (+) increases / (-) decreases	9	(55)
Closing balance of allowances	**3 975**	**3 977**

15. Long-term construction contracts

The value of recognised receivables and payables from the valuation of long-term contracts for the provision of construction services in the Company was as follows:

Contracts during the reporting period	Construction contracts assets	Construction contracts liabilities
Status on 1 January 2021	**49 549**	**211 106**
Change in valuation of contracts	(1 122)	249 369
Revenue recognised in 2021 included in the balance of liabilities as at 1 January 2021	-	(161 236)
Change in the period during which the right to remuneration becomes unconditional	(58 933)	-
Change in advances received	15 354	101 077
As at 31 December 2021	**4 848**	**400 316**

The significant increase in the balance of construction contracts liabilities is due to the progress of implementation and high invoicing as well as advances received on contracts: Czechnica and Dolna Odra. See Note 7.3 for a description of the status of these contracts.

Revenue recognised in 2021, included in the opening balance of liabilities, amounted to PLN 148,082 thousand.

Revenue recognised in 2021 relating to performance obligations met in prior periods amounted to PLN 0.

Contracts during the reporting period	Construction contracts assets	Construction contracts liabilities

(in thousands PLN)

Situation on 1 January 2020	**11 553**	**4 715**
Change in valuation of contracts	69 372	161 830
Revenue recognised in 2020 included in the balance of liabilities as at 1 January 2020	-	(668)
Change in the period during which the right to remuneration becomes unconditional	(38 572)	-
Change in advances received	7 196	45 229
As at 31 December 2020	**49 549**	**211 106**

Amount of transaction price attributed to performance obligations outstanding at the end of the reporting period, to be satisfied:

	As at 31 December 2021	**As at 31 December 2020**
(a) up to 1 year	1 607 339	1 113 682
(b) more than 1 year	1 319 604	1 408 629
Total	**2 926 943**	**2 522 311**

16. Cash and cash equivalents

	As at 31 December 2021	**As at 31 December 2020**
Cash at bank and in hand	583 275	200 092
Short-term deposits	120 185	9 317
Total	**703 460**	**209 409**
Restricted cash	*350 351*	*110 557*

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

Restricted cash relates to funds held in the project account held for the Puławy contract. This account is used to receive payments from the Principal 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.

Cash at the bank bears interest at variable interest rates, the amount of which depends in particular on the terms for which deposits are made and the market interest rates applicable to those terms. Short-term deposits are made for various periods, generally from one day to one month, depending on the Company's current cash requirements, and bear interest at the rates set for them.

(in thousands PLN)

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

	Year ended 31 December 2021	Year ended 31 December 2020
Change in receivables in the balance sheet	140 801	(250 616)
Adjustment for dividends receivable	(14 191)	(13 365)
Adjustment for receivables from the sale of tangible fixed assets	1 731	(23)
Adjustment for offsetting loans received and granted	1 474	417
Adjustment for the set-off of security deposits against loan commitments	-	(72 363)
Other adjustments	(102)	(3 806)
Change in receivables in the cash flow statement	**129 713**	**(339 756)**
Change in liabilities in the balance sheet	254 990	386 914
Adjustment for the change in liabilities due to acquisition of tangiblefixed assets	3 329	(2 595)
Adjustment for change in lease terms	(890)	-
Other adjustments	137	(24)
Change in liabilities in the cash flow statement	**257 566**	**384 295**

18. Assets held for sale

Pursuant to provisions of the Intercreditor Agreement dated 11 September 2014, as amended, the Issuer is entitled to dispose of certain assets. The table presents the status of assets held for sale as at 31 December 2021 and as at 31 December 2020:

	As at 31 December 2021	As at 31 December 2020
Tangible fixed assets	617	688
Investment properties	36 017	25 997
Total assets held for sale	**36 634**	**26 685**

The valuation of investment properties presented within assets held for sale corresponds to level 1 or 3 of the fair value hierarchy.

In 2021, the Company sold the property located at ul. Samsonowicza 6 in Ostrowiec Świętokrzyski with a value of PLN 580 thousand. 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**

19. Capital equity

19.1. 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 have been fully paid up.

Share capital	Situation on 31 December 2021	Situation on 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**

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 as 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%

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.

(in thousands PLN)

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 the share capital / in the 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 *	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

19.2. Reserve capital

In accordance with Article 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 reserve capital amounted to PLN 211,474 thousand.

19.3. Other capital

The Company's other capitals relate to the effect of the settlement of the merger with subsidiaries which took place in 2010 in the amount of PLN (444,924) thousand . In accordance with Resolutions 8 and 9 of the Annual General Meeting of the Company of 27 June 2017, the negative value of other capitals was covered by retained earnings in the amount of PLN 59,640 thousand and by a decrease in supplementary capital in the amount of PLN 151,964 thousand. The change in the amount of other capitals in 2018 resulted from Resolution No. 6 of the Ordinary General Meeting of 21 June 2018 on transferring the Company's net profit of PLN 82,558 thousand to other capitals, as well as Resolution No. 7 of the Ordinary General Meeting of 21 June 2018 on transferring retained earnings of PLN 12 thousand to other capitals. As at 31 December 2018, other capital amounted to PLN (149,732) thousand. On 13 June 2019, Resolution No. 7 of the Annual General Meeting was adopted on the distribution of the Company's net profit and the allocation of PLN 17,528 thousand to other capital. On 3 June 2020, resolutions no. 7 and 8 were adopted Of the Ordinary General Meeting on the distribution of the Company's net profit and on the appropriation of retained earnings arising during 2019 (as a result of recognising the effects of revaluations of properties sold in 2019) with a total value of PLN 94,575 thousand to other capitals. As at 31 December 2020, other capital amounted to PLN (37,629) thousand.

On 8 June 2021, resolutions Nos. 7 and 8 of the Ordinary General Meeting were adopted on the distribution of the Company's net profit and on the appropriation of retained earnings arising during 2020 (as a result of recognising the effects of revaluations of real estate sold in 2020 and changing the material terms of the bond issue) in the amount of PLN 37,629 thousand to other capital and PLN 53,549 thousand to reserve capital. As at 31 December 2021, other capital amounted to PLN 0.

(in thousands PLN)

19.4. Reserve capital from surplus on convertible bonds

The equity component of the convertible bonds issued as at 31 December 2020 amounted to PLN 6,071 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. These transactions are described in more detail in Note 19.1. As at 31 December 2021, the convertible bond surplus reserve amounts to PLN 5,892 thousand.

19.5. Accumulated other comprehensive income

Accumulated other comprehensive income comprises the fixed asset revaluation reserve and actuarial gains / (losses). The revaluation reserve as at 31 December 2021 amounts to PLN 28,020 thousand, while as at 31 December 2020 it amounted to PLN 27,959 thousand. The change in the value of this capital is due to the revaluation of the property. The actuarial gain as at 31 December 2021 is PLN 977 thousand and as at 31 December 2020 was PLN 866 thousand.

19.6. Retained earnings

In accordance with Resolutions 7 and 8 of the Ordinary General Meeting of the Company of 8 June 2021, the net profit for the 2020 financial year in the amount of PLN 61,394 thousand and retained earnings in the amount of PLN 29,784 thousand were allocated to reduce the negative value of other capitals in the amount of PLN 37,629 thousand and in the amount of PLN 53,549 thousand to reserve capital. As at 31 December 2021, retained earnings amount to PLN 88,996 thousand.

20. Bank loans, borrowings and other sources of financing

	As at 31 December 2021	As at 31 December 2020
Short-term, of which:	**27 413**	**16 984**
Borrowings	20 418	12 406
Lease liabilities	6 995	4 578
Long-term, of which:	**19 096**	**34 596**
Borrowings	-	18 095
Lease liabilities	19 096	16 501
Total loans, borrowings and lease commitments	**46 509**	**51 580**

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

	As at 31 December 2021	As at 31 December 2020
Loan liabilities at the beginning of the period	**30 501**	**31 343**
Accrued interest calculated at the effective interest rate	1 103	490
Interest payments	(1 642)	(356)
Capital repayments	(9 544)	-
Revaluation due to change in expected cash flows	-	(976)
Loan liabilities at end of period	**20 418**	**30 501**

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	**21 079**	**6 379**
Incurrence of lease liabilities	11 041	19 218
Recognition of lease liabilities at amortised cost	954	734
Repayment of liabilities	(7 324)	(5 774)
Changes to leases	341	522

(in thousands PLN)

Value of lease liabilities at the end of the period	**26 091**	**21 079**

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

The value of the 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 thousands PLN)

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 2020 Series A and Series B bonds, the issue liabilities under the previous terms and conditions were removed from the balance sheet and the issue liabilities under the new terms and conditions were recognised. In connection with the derecognition of liabilities from the previous issue, the following were recognised: (i) costs on account of the change of the conditions in the amount of PLN 2,596 thousand (ii) directly through capitals the amount of PLN 1,678 thousand. Do zysków zatrzymanych przeniesiono wartość pozostałego elementu kapitałowego w wysokości 28 056 tys. zł. In connection with the recognition of liabilities following a significant change in the terms of issue, an equity component of PLN 5,677 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 Company redeemed series B bonds worth PLN 1,200 thousand and on 31 December 2021 redeemed series B bonds worth PLN 1,300 thousand. As regards series A bonds, on 15 September 2021, one of the bondholders made a declaration of conversion of 3 series A bonds with the total nominal value of PLN 1,500 thousand into 750,000 series S ordinary bearer shares with the nominal value of PLN 2 each, i.e. with the total nominal value of PLN 1,500 thousand, and non December 16, 2021, one of the bondholders submitted a declaration of conversion of 2 series A bonds with the total nominal value of PLN 1,000 thousand into 500,000 series S ordinary bearer shares with the nominal value of PLN 2 each, i.e. with the 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) in performance of the 2007 Bondholders' Agreements dated 28 December 2020.

W dniu 16 lutego 2022 roku dokonana został rejestracja ww. akcji na koncie papierów wartościowych obligatariuszy i nastąpiło podwyższenie kapitału zakładowego Spółki o kwotę 2 500 000 zł (czyli z kwoty 473 237 604 zł do kwoty 475 737 604 zł).

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 19.1.

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

	Year ended 31 December 2021	Year ended 31 December 2020
Liability at the beginning of the period	**126 848**	**173 578**

(in thousands PLN)

Changes to the terms of issue		
Profit from change in cash flow	-	(2 793)
Significant amendment to the terms and conditions of issue on ... 28.12.2020		
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**

22. Assets pledged as collateral

	As at 31 December 2021	As at 31 December 2020
Tangible fixed assets	41 580	16 892
Intangible assets	491	346
Investment properties	37 293	38 944
Shares and interests	435 288	469 411
Inventories	-	149
Assets held for sale	36 634	26 685
Total	**551 286**	**552 427**

As at 31 December 2021, assets held for sale pledged as collateral include: property, plant and equipment of PLN 617 thousand and investment property of PLN 36,017 thousand (note 18).

(in thousands PLN)

23. Provisions

	Provisions for warranty repairs	Provision for litigations	Provision for penalties	Provision for contract settlement costs	Provision for losses	Provision for sureties	Total
On 1 January 2021	**11 181**	**7 017**	**529**	**341**	**9 974**	**52**	**29 094**
Created during the financial year	7 428	-	-	-	-	41	**7 469**
Used	(402)	(1 815)	(29)	(341)	(9 974)	(86)	**(12 647)**
Resolved	(3 569)	(2 410)	-	-	-	-	**(5 979)**
As at 31 December 2021	**14 638**	**2 792**	**500**	**-**	**-**	**7**	**17 937**
Short-term as at 31 December 2021	2 624	-	500	-	-	7	**3 131**
Long-term as at 31 December 2021	12 014	2 792	-	-	-	-	**14 806**

	Provisions for warranty repairs	Provision for litigations	Provision for penalties	Provision for contract settlement costs	Provision for losses	Provision for sureties	Total
On 1 January 2020	**18 568**	**15 454**	**773**	**6 652**	**26 590**	**83**	**68 120**
Created during the financial year	3 421	-	-	-	-	168	**3 589**
Used	(1 669)	(105)	(244)	(685)	(13 022)	-	**(15 725)**
Resolved	(9 139)	(8 332)	-	(5 626)	(3 594)	(199)	**(26 890)**
As at 31 December 2020	**11 181**	**7 017**	**529**	**341**	**9 974**	**52**	**29 094**
Short-term as at 31 December 2020	3 899	2 281	529	341	9 974	52	**17 076**
Long-term as at 31 December 2020	7 282	4 736	-	-	-	-	**12 018**

24. Employee benefit liabilities

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

	As at 31 December 2021	As at 31 December 2020
Payroll liabilities	3 157	2 439
Social security liabilities	2 945	1 259
Bonuses and awards	11 723	4 331
Unused leave	3 110	2 353
Severance payments for retirement and disability	281	362
Employee benefit liabilities - short-term	**21 216**	**10 744**
Severance payments for retirement and disability	883	875
Employee benefit liabilities - long-term	**883**	**875**

The Company pays retirement and disability severance amounts to retiring employees in the amount determined by the Collective Bargaining Agreement. Accordingly, the Company, based on a valuation by a professional actuarial firm, recognises a provision for the present value of the liability for retirement, disability and other post-employment benefits.

(in thousands PLN)

24.2. Main assumptions used by the actuary for the measurement of long-term employee benefit obligations

	As at 31 December 2021	As at 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 the financial result and actuarial gains/(losses) on retirement and disability benefits are presented in the table below:

	Year ended 31 December 2021	Year ended 31 December 2020
Benefit costs:		
Current employment costs	174	146
Past service cost and curtailment of benefit plan	-	196
Interest expenses	15	20
Other (benefits paid)	-	(87)
Components of defined benefit plan costs recognised in profit or loss	**189**	**275**
Revaluation of the net defined benefit liability:		
Actuarial gains/(losses) from changes in demographic assumptions	85	(71)
Actuarial gains/(losses) arising from changes in financial assumptions	(222)	76
Components of benefit plan costs recognised in other comprehensive income	**(137)**	**5**
Total	**52**	**280**

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

	Year ended 31 December 2021	Year ended 31 December 2020
Defined benefit obligations at the beginning of the period	**1 237**	**957**
Current employment costs	174	146
Interest expenses	15	20
Revaluation gains/(losses):		
Actuarial gains/(losses) on differences between assumptions and realisation	85	(71)
Actuarial gains/(losses) from changes in economic assumptions	(222)	76
Past service cost and curtailment of benefit plan	-	196
Benefits paid	(125)	(87)
Defined benefit obligations at the end of the period	**1 164**	**1 237**

24.3. 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. The liability recognised in the balance sheet for retirement and disability benefits amounts to PLN 1 164 thousand.

(in thousands PLN)

Discount rate 2.8% Liabilities on account of:	retirement gratuities	disability severance payments	together
Short-term	306	-	306
Long-term	861	68	929
Total	**1 167**	**68**	**1 235**

Discount rate 3.8% Liabilities on account of:	retirement gratuities	disability severance payments	together
Short-term	306	-	306
Long-term	776	64	840
Total	**1 082**	**64**	**1 146**

Wage growth rate 3.0% Liabilities on account of:	retirement gratuities	disability severance payments	together
Short-term	305	-	305
Long-term	778	63	841
Total	**1 083**	**63**	**1 146**

Wage growth rate 4.0% Liabilities on account of:	retirement gratuities	disability severance payments	together
short-term	306	-	306
long-term	859	70	929
Total	**1 165**	**70**	**1 235**

25. Trade and other liabilities other

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. Interest payable is normally accounted for on the basis of accepted interest notes. The amount of accrued expenses mainly includes the value of costs incurred but not invoiced for the execution of construction contracts.

Trade and other payables are presented in the table below:

	As at 31 December 2021	Aa at 31 December 2020
Trade liabilities	**159 255**	**184 236**
Towards related parties	58 697	68 130
Towards other entities	100 558	116 106
Accrued expenses	**143 977**	**72 624**
Total trade liabilities	**303 232**	**256 860**
Taxes, duties, social security and other liabilities		
Value added tax	12 135	962
Personal income tax	1 128	756
PFRON	-	30
Other	32	82
Other liabilities with related parties	-	4
Liabilities due to the purchase of tangible fixed assets	167	2 800
Other	182	-
Total other liabilities	**13 644**	**4 634**

(in thousands PLN)

26. Contingent liabilities

	As at 31 December 2021	As at 31 December 2020
Contingent liabilities	**925 126**	**612 072**
- guarantees and sureties granted	865 042	509 681
- promissory notes	960	51 182
- litigation	59 124	51 209

The increase in guarantees issued is mainly due to the issuance of new performance guarantees on contracts: Dolna Odra and Projekt Czechnica (in the amount of PLN 414 million).

27. Information on transactions with related parties

27.1. Transactions with State Treasury related parties

The Company 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 27.2 as transactions with other shareholder related parties. Transactions carried out with other Treasury-related entities are arm's length transactions.

27.2. Transactions with related parties

Transactions between related parties took place on terms equivalent to those of arm's length transactions. The Company does not apply collateral to receivables from related parties. Intra-group transactions are settled either by payment of receivables or by offsetting them against liabilities.

The following table shows the aggregate amounts of related party transactions for the year ended 31 December 2021 and as at that date and for the year ended 31 December 2020 and as at that date:

(in thousands PLN)

	Year ended 31 December 2021				As at 31 December 2021					
	Sales revenues and other operating revenues	Financial income	Purchases of goods and services and other operating costs	Financial costs	Trade receivables	Other receivables	Loans receivable	Trade liabilities	Other liabilities	Liabilities on borrowings received
Subsidiaries	46 720	40 752	238 860	5 387	57 054	94 445	15 170	57 928	54	20 418
Associated companies	-	-	-	-	-	-	-	-	-	-
Other shareholder-related entities	434 505	1	7 276	1	3 232	10 413	-	151 716	39	-
Total	**481 225**	**40 753**	**246 136**	**5 388**	**60 286**	**104 858**	**15 170**	**209 644**	**93**	**20 418**

	Year ended 31 December 2020				As at 31 December 2020					
	Sales revenues and other operating revenues	Financial income	Purchases of goods and services and other operating costs	Financial costs	Trade receivables	Other receivables	Loans receivable	Trade liabilities	Other liabilities	Liabilities on borrowings received
Subsidiaries	41 351	79 088	169 477	500	11 755	108 647	39 481	67 491	26	30 501
Associated companies	-	-	-	-	-	-	-	-	-	-
Other shareholder-related entities	128 458	2 552	4 288	4	16 606	1 002	-	639	-	-
Total	**169 809**	**81 640**	**173 765**	**504**	**28 361**	**109 649**	**39 481**	**68 130**	**26**	**30 501**

(in thousands PLN)

28. Remuneration of the Management Board and Supervisory Board

28.1. Remuneration of the Management Board and Supervisory Board

	Year ended 31 December 2021	Year ended 31 December 2020
Management Board		
Short-term employee benefits (wages and salaries)	2 827	2 990
Supervisory Board		
Short-term employee benefits (wages and salaries)	896	766
Total	**3 723**	**3 756**

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

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

29. Employment structure

The Company's workforce as at 31 December 2021 and 31 December 2020 was as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
Management Board	2	2
Support division	190	182
Operations division	157	129
	349	**313**

30. Risk management objectives and principles

30.1. Interest rate risk

The Company'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 minimise potential economic losses arising from events that could have a negative impact on results.

The Company holds cash in bank accounts. As part of its sources of funding, the Company has liabilities under convertible and ordinary 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 in the development of reference market rates. As at 31 December 2021, the Company has not entered into derivative transactions to hedge the risk in question.

Analysis of sensitivity to interest rate changes

	Value at risk	0,50% Increase/decrease by 0,50 p.p.	-0,50% Increase/decrease by -0,50 p.p.
For the year ended 31 December 2021			
Cash in bank accounts	703 460	3 517	(3 517)
Borrowings granted	33 375	167	(167)
Bank guarantee deposits	651	3	(3)
Borrowings received	(19 995)	(100)	100
Bonds	(122 000)	(610)	610
Effect on profit before tax		**2 977**	**(2 977)**
Deferred tax		(566)	566
Total		**2 411**	**(2 411)**

	Value at risk	Increase/decrease by 0,50 p.p.	-0,50 p.p.
For the year ended 31 December 2020			
Cash in bank accounts	209 409	1 047	(1 047)
Borrowings granted	39 932	200	(200)
Bank guarantee deposits	2 026	10	(10)
Borrowings received	(30 501)	(153)	153
Bonds	(126 848)	(634)	634
Effect on profit before tax		**470**	**(470)**
Deferred tax		(89)	89
Total		**381**	**(381)**

30.2. Foreign exchange risk

The Company's primary method of hedging against foreign exchange risk remains natural hedging, i.e. hedging currency risk by entering into transactions that generate costs in the same currency as the revenue currency. As at 31 December 2021, the Company had no active derivatives to hedge foreign exchange risk.

Fluctuations of the average EUR exchange rate, due to the recorded scale of foreign currency transactions in relation to the overall operations, have a relatively limited impact on the amount of revenue/value of costs expressed in PLN. Based on its contracts, the Company has estimated its exposure to foreign exchange risk for the period January - December 2022 as follows:

Specification	2021
Forecast inflows in foreign currency - equivalent in EUR thousand EUR	-
Forecast expenditure in foreign currency - equivalent in EUR thousand EUR	(13 402)
Business exposure to foreign exchange risk in thousands EUR	**(13 402)**

Exposure to currency risk

	As at 31 December 2021 EUR	As at 31 December 2020 EUR
Cash and cash equivalents	16	6
Trade receivables	-	2 665
Trade liabilities	(4 533)	(2 088)
Gross carrying amount	**(4 517)**	**583**
Estimated sales forecast	-	-
Estimated forecast of acquisitions	(13 402)	(27 150)
Gross exposure	**(13 402)**	(27 150)
Net exposure	**(17 919)**	**(26 567)**

Sensitivity analysis of currency risk at 31 December 2021

	Carrying amount	EUR/PLN course (10 %)	EUR/PLN course (amended by -10 %)
Cash and cash equivalents	74	7	(7)
Trade and other receivables	-	-	-
Trade and other liabilities	(21 014)	(2 101)	2 101
Effect on profit before tax	**(20 940)**	**(2 094)**	**2 094**
Deferred tax		398	(398)
Total		**(1 696)**	**1 696**

(in thousands PLN)

Sensitivity analysis of currency risk at 31 December 2020

	Carrying amount	EUR/PLN	
		course (10 %)	course (amended by -10 %)
Cash and cash equivalents	27	3	(3)
Trade and other receivables	12 299	1 230	(1 230)
Trade and other liabilities	(9 637)	(964)	964
Effect on profit before tax	**2 689**	**269**	**(269)**
Deferred tax		(51)	51
Total		**218**	**(218)**

30.3. 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 collateral 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.

The Company has a concentration of credit risk 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 Company assesses that it is not materially exposed to credit risk to these customers.

The Company has significant receivables from profit sharing limited partnerships, which are subsidiaries. The credit risk of these receivables is low due to the good financial performance of these entities, further limited by the large share of sales to companies controlled by the State Treasury.

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 the 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 Company enters into financial transactions with reputable companies with good creditworthiness and applies diversification of the institutions with which it works. With regard to credit risk management of trading partners, the Company subjects all customers who apply for credit limits to procedures for verification of their financial credibility and, depending on the assessment, appropriate internal limits are granted. The Company sets guidelines for the credit risk management process of its trading partners in order to maintain appropriate standards in credit analysis and operational security of the process across the Company. 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 Board of Directors, the risk of financial assets at risk is reflected by making write-downs. The calculation of write-downs is presented in note 14.

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

30.4. Liquidity risk

The Company considers this to be a low level risk. 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 Company's current financial position is stabilised - the Company 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 Company has a number of measures in place to further improve operating conditions and these include:

- further optimisation of operations 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 on core activities;

(in thousands PLN)

- continuing the process of selling assets, in particular real estate and other assets that are not necessary for the continued operation of the core business,
- obtaining new sources of debt financing and optimising the terms and term structure of the Company's existing on- and off-balance sheet financing.

The Company's current order book less sales attributable to consortium members amounts to approximately PLN 2.93 billion and includes contracts concluded or projects offered for which our offer was selected. By segment, it is as follows: PLN 2.79 billion for the Power Generation segment and PLN 0.14 billion for the Petrochemical segment PLN 0.14 billion.

The Company's liquidity risk arises from a mismatch between the amounts and timing of payments on the receivables and payables side. Diversification of the portfolio of suppliers and customers, financing of subcontracting projects with funds received from the ordering parties are important for hedging against this risk.

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

As at 31 December 2021	On request	Less than 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Interest-bearing loans	-	18 495	1 923	-	-	**20 418**
Leasing	-	1 675	3 062	13 608	3 791	**22 136**
Bonds	-	-	10 000	112 000	-	**122 000**
Tradeliabilities, deposits and other liabilities	33 131	135 293	6 972	10 309	4 966	**190 671**
Total	**33 131**	**155 463**	**21 957**	**135 917**	**8 757**	**355 225**

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.

As at 31 December 2020	On request	Less than 3 months	From 3 to 12 months	From 1 to 5 years	Above 5 years	Total
Interest-bearing loans and borrowings	-	-	12 406	18 095	-	**30 501**
Leasing	-	1 534	4 122	15 613	7 096	**28 365**
Bonds	-	-	13 391	122 000	-	**135 391**
Trade liabilities, deposits and other liabilities	39 739	155 608	10 777	9 339	4 126	**219 589**
Total	**39 739**	**157 142**	**40 696**	**165 047**	**11 222**	**413 846**

31. Financial instruments

31.1. Classification of financial instruments

Financial assets	As at31 December 2021	As at31 December 2020
	Financial assets measured at amortised cost	Financial assets measured at amortised cost
Other financial assets	16 271	41 958
Deposits under construction contracts	39 935	26 771
Trade receivables	218 560	309 286
Cash and cash equivalents	703 460	209 409

Financial liabilities	As at31 December 2021	A at 31 December 2020
	Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost

Loans and other external financing sources	46 509	51 580
Other liabilities (non-current)	24	37
Deposits under construction contracts	30 454	30 523
Trade payables	159 255	184 236
Bonds	115 542	125 487

31.2. Items of income, expenses, gains and losses recognised in the income statement by category of financial instrument

Year ended 31 December 2021:

	Interest income/(expense)	Foreign exchange gains/(losses)	Dividends	Income/expenses from participation in profits of limited partnerships	Other	Total
Financial assets						
Financial assets measured at amortised cost	1 400	-	42 150	(14)	(56)	**43 480**
Financial liabilities						
Financial liabilities measured at amortised cost	(8 899)	706	-	-	-	**(8 193)**
Total	**(7 499)**	**706**	**42 150**	**(14)**	**(56)**	**35 287**

Year ended 31 December 2020:

	Interest income/(expense)	Foreign exchange gains/(losses)	Dividends	Income/(expenses) from participation in profits of limited partnerships	Other	Total
Financial assets						
Financial assets measured at amortised cost	5 131	-	15 946	61 155	4 120	**86 352**
Financial liabilities						
Financial liabilities measured at amortised cost	(19 604)	(513)	-	-	607	**(19 510)**
Total	**(14 473)**	**(513)**	**15 946**	**61 155**	**4 727**	**66 842**

32. 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 carried at fair value do not differ materially from book values.

(in thousands PLN)

33. Capital management

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

The Company is subject to externally imposed capital requirements on the value of equity. The Company held the addition of capital throughout 2021.

The Company monitors its capital position using the leverage ratio, which is calculated as net debt divided by total capital plus net debt. The Company'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, leases and bonds	162 051	178 428
Trade and other liabilities	316 876	261 494
Minus cash and cash equivalents	(703 460)	(209 409)
Net debt	**(224 533)**	**230 513**
Equity	811 097	719 429
Net equity and debt	**586 564**	**949 942**
Leverage ratio (net debt/capital and net debt)	(38%)	24%

The negative leverage ratio as at 31 December 2021 as a consequence of the surplus of available financial resources over the amount of liabilities confirms the Company's secure financing structure and has positive consequences in the event of a spike in market interest rates.

34. Litigations regarding receivables and liabilities

As at 31 December 2021, the proceedings concerning the counterclaim from Mostostal S.A. with its registered office in Warsaw (the "Respondent") were suspended. The counterclaim was directed against the Company and Mostostal Siedlce spółka z ograniczoną odpowiedzialnością sp.k. The counterclaim was the Respondent's position in the case initiated in June 2017 by the Company and Mostostal Siedlce spółka z ograniczoną odpowiedzialnością sp.k. for the invalidity of the agreement for the sale of 2 Mostostal trade marks: 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 counterclaim was declared inadmissible by the court and in May 2019 and set aside for separate proceedings, whereupon the court suspended these proceedings pending the outcome of the civil proceedings with respect to the cancellation of the aforementioned contract of sale of the two Mostostal trade marks: the word and figurative 'Mostostal' registered under R 87887 and the word 'Mostostal' registered under R 97850. The value of the object in dispute in the suspended proceedings 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. together with statutory interest. In the opinion of the Board of Directors of the Company, the counterclaim/suit for damages is without merit and is merely a consequence of the lawsuit filed in June 2017 by the Company and the amount of damages is unjustified. The Company's analysis shows that the Company has held entity rights to the business name Mostostal and rights to use the name/distinctive sign Mostostal since 1973, i.e. with an earlier priority than the priority to the aforementioned trademarks Mostostal (since 1994).

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

35. Main events after the balance sheet date 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 19.1.
- 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). This event is also presented in note 19.1.

- 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 negatively affect 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 where negative impacts on the construction industry and the Company's operations are possible include: weakening of local currencies, increased inflation, increased material costs, increased construction costs, problems in recruiting employees, disruptions in product and material supply chains.

Currently, the armed conflict in Ukraine does not have a material adverse effect on the Company's operations. The only risk exposure the Company identifies is an investment of PLN 9,035 thousand in shares of the company Czerwonogradzki Zakład 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. At present, the company executes practically only orders for the European market, including for Group companies.

As at the date of this report, the Company does not identify a material direct adverse effect of the event on the business, the items presented in the financial statements and the going concern assumption made in preparing the report. However, the Company is unable to estimate the impact of this crisis on the Company's revenues and financial results in the future.

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
Slawomir Czech	Finance Director/ Chief Accountant	