



THE BUDIMEX GROUP

BUDIMEX SA

DIRECTORS' REPORT FOR 2020

TABLE OF CONTENTS

1	BUSINESS ENVIRONMENT	4
1.1	General market conditions	4
1.2	Market development prospects	4
1.3	Strategy adopted by the issuer and its capital group	7
2	CURRENT ACTIVITIES AND DEVELOPMENT PERSPECTIVES FOR THE BUDIMEX GROUP	7
2.1	The Group's organisational structure, consolidated entities and changes in Group organisation	7
2.2	Operating segments and branches of the Parent Company	9
2.3	Structure of sales revenues	10
2.3.1	Structure of sales revenues of the Budimex Group	10
2.3.2	Structure of sales revenues of Budimex SA	12
2.4	Construction activities of the Budimex Group on the German market	13
2.5	Budimex Group and Budimex SA development prospects in the forthcoming year	13
2.6	Evaluation of investment project feasibility	14
2.7	Risk factors	14
2.8	Procurement source changes	14
3	FINANCIAL POSITION	15
3.1	Key economic and financial data	15
3.1.1	Key economic and financial data of the Budimex Group	15
3.1.2	Key economic and financial data of Budimex SA	18
3.2	Statement of Cash Flows	20
3.2.1	Consolidated Statement of Cash Flows of the Budimex Group	20
3.2.2	Statement of Cash Flows of Budimex SA	21
3.3	Managing of finance	21
3.3.1	Managing of finance at the Budimex Group	21
3.3.2	Managing of finance at Budimex SA	22
3.4	Contingent liabilities and contingent receivables of the Budimex Group	23
3.5	Differences between forecast and actual financial results of the Budimex Group	24
3.6	Utilisation of proceeds from issues of securities	24
4	SIGNIFICANT AGREEMENTS	24
4.1	Insurance agreements for the Budimex Group companies	24
4.2	Cooperation agreements binding in 2020	25
4.3	Related party transactions	25
4.4	Loans and borrowings	26
4.5	Major capital deposits and equity investments in 2020	28
4.6	Information about borrowings granted during the accounting year, including in particular borrowings granted to related parties	28
5	OTHER INFORMATION	28
5.1	Information about the shareholding in the Parent Company and related parties held by Members of the Management and Supervisory Boards of the Parent Company	28
5.2	Acquisition of own shares	28
5.3	System of control over employee share incentive schemes	28
5.4	Information about agreements acknowledged by the Company (including post-balance sheet date agreements) with a possible future effect on the current ownership structure	28
5.5	Entity authorised to audit financial statements	28
5.6	Information about charity and sponsorship activities	28
5.7	Legal proceedings	30
5.8	Significant achievements in the area of research and development	31
5.9	Retirement and similar benefit obligations toward former members of the management and supervisory boards	31
6	CORPORATE GOVERNANCE	31
6.1	Corporate governance policies at Budimex SA and public availability of the underlying document	31
6.2	Compliance policy	32
6.3	Diversity policy	32
6.4	Key features of the Company's internal control and risk management systems with respect to the process of preparation of the financial statements of Budimex SA and the Budimex Group	33
6.5	Shareholders with direct or indirect ownership of significant blocks of shares	34
6.6	Holders of all securities which confer special control rights	34
6.7	Restrictions on exercising voting rights	34
6.8	Restrictions on transferring ownership rights to the securities of Budimex SA	34
6.9	Regulations concerning appointment or removal of Management or Supervisory Board Members, the rights of those persons, in particular, the right to make decisions on share issue or redemption	34
6.10	Implementing changes to the Articles of Association of Budimex SA	35
6.11	Functioning of the General Meeting of Shareholders, its fundamental powers, rights of the shareholders and the manner of exercising those rights	35
6.12	Composition of the Management and Supervisory Boards, changes thereto in the last financial year and functioning of the management and supervisory bodies of the Company and their committees	36

	6.13 Remuneration Policy for Members of Management and Supervisory Boards, as well as key managers at Budimex SA.....	40
7	REPORT ON NON-FINANCIAL INFORMATION	42
8	REPRESENTATION BY THE MANAGEMENT BOARD	42

1 BUSINESS ENVIRONMENT

1.1 General market conditions

The government's projections for 2020, published in June 2019, announced a 0.3 per cent decline in economic growth relative to 2019 to 3.7 per cent. In reality, due to the Covid-19 pandemic, the Polish economy has experienced a decline in gross domestic product as compared to 2019. According to preliminary estimates of the Central Statistical Office (GUS), the gross domestic product decreased by 2.8 per cent year-on-year at constant prices of the previous year in 2020 in comparison with an increase by 4.5 per cent in 2019. The only quarter in 2020 in which gross domestic product growth was recorded was the first quarter, when the growth rate reached 1.9 per cent. The decline in gross domestic product was particularly noticeable in the second quarter of 2020, when Poland's economy contracted by 8.4 per cent. Gross fixed capital formation in 2020 decreased by 8.4 per cent compared to the increase by 7.2 per cent in 2019, while the investment rate in 2020, understood as the ratio of gross capital formation to gross domestic product in current prices, stood at 17.1 per cent, compared to 18.5 per cent in 2019. In 2020, gross value added in the construction industry decreased by 3.7 per cent year-on-year, while in 2019 it declined by 4.1 per cent. The average annual consumer price index in 2020 reached 3.4 per cent compared to 2.3 per cent in 2019. The year-on-year increase in inflation is attributable to an acceleration in price growth in the first quarter of 2020. In December 2020, the CPI reached 2.4 per cent and was 1 percentage point lower than in December 2019. In 2020, the unemployment rate increased by 1 percentage point, from 5.2 per cent in December 2019 to 6.2 per cent in December 2020.

At the beginning of 2020, the index of general economic situation in the construction industry remained relatively flat compared to 2019. Businesses started the year with very good sentiment. As the months went by and restrictions on business activity were introduced, uncertainty among entrepreneurs grew, which is particularly evident among smaller businesses. The main barriers identified by businesses include a significant drop in demand compared to previous years and an increase in employment costs. The reduction in the shortage of qualified staff is good news. The problems with sourcing equipment and raw materials have also decreased. As in previous years, a large percentage of businesses identify significant burdens towards the state budget as a significant obstacle for operations. The significant deterioration of the financial standing of small construction businesses is a worrying phenomenon.

In 2020, the value of construction and assembly output recorded a slight year-on-year growth of 0.4 per cent in current prices, as compared to year-on-year growth of 6.0 per cent in 2019. For another consecutive year, the scale of construction and assembly output sold by companies employing more than 9 people exceeded PLN 100 billion. In the general construction segment, the output volume decreased by 0.5 per cent, while the output volume in infrastructure construction improved by 1.2 per cent.

The dynamics of construction and assembly output in road construction increased by 6.0 per cent in current prices (compared with a decline of 6.8 per cent in 2019). In contrast, a decline was recorded in general construction, where construction and assembly output decreased by 0.5 per cent in current prices compared with an increase of 7.9 per cent in 2019. Even the good performance of the residential construction sector, which posted growth of 6.6 per cent (versus growth of 8.9 per cent in 2019) could not prevent a decline in the value of completed work in general construction. The negative trend recorded in non-residential construction segment, in which the value of construction and assembly output in 2020 fell by 4.2 per cent compared to an increase by 7.4 per cent in 2019, prevailed.

In 2020, the structure of construction and assembly output did not change significantly from the previous year. The largest share in construction and assembly output is gain held by civil and water engineering facilities (51 per cent in total construction and assembly production, as compared to a share of 50 per cent in 2019). The corresponding share of the non-residential and residential construction segment stood at 31 per cent and 18 per cent, which is similar to the figures for 2019.

The factor that determines the rate and directions of growth in the construction sector in Poland is still the pace of execution of large infrastructural projects and the related effectiveness of utilisation of EU funds. By the end of 2020, more than 83 thousand co-financing agreements with the total value of PLN 514.2 billion were signed, with the EU contribution amounting to PLN 312.7 billion, which accounts for approx. 95 per cent of total funds allocated to Poland under the cohesion policy for 2014-2020. The value of agreements concerning road and railway infrastructure projects amounted to, respectively, PLN 104.5 billion and PLN 38.0 billion. Moreover, the value of all payment applications submitted by the end of 2020 amounted to nearly PLN 263.8 billion, with road infrastructure projects accounting for PLN 58.1 billion and railway infrastructure projects accounting for PLN 18.0 billion.

In 2020, the number of flats for sale or lease that were put to use increased to 143.8 thousand (up by 9.4 per cent in comparison with 2019). The number of flats for sale or lease for which a construction permit was granted increased by 2.5 per cent year-on-year to 171.6 thousand. The number of flats for sale or lease whose construction was started decreased (a decrease by 8.3 per cent year-on-year to 130.2 thousand). In 2020, the development sector recorded a significant drop in pre-sales volume compared to 2019. According to a JLL report, in the six largest residential markets in Poland (Warsaw, Kraków, Wrocław, Tri-City, Poznań and Łódź), approx. 53 thousand flats were pre-sold in 2020 by developers (by approx. 19 per cent less than in 2019).

1.2 Market development prospects

According to the assumptions to the 2020 state budget, made in December 2019, real GDP growth in 2021 will stand at 4.0 per cent compared to a 4.6 per cent decline in 2020. The Institute for Economic Forecasts and Analysis (IPAG, Instytut Prognoz i Analiz Gospodarczych) points to the likelihood of a slightly more optimistic scenario. According to forecasts published in the first half of February 2021, GDP growth in Poland in 2021 will amount to 4.3 per cent. The recession is forecast to last until the first quarter of 2021, when GDP will contract by 1.4 per cent before returning to growth. GDP is expected to increase by 9.9 per cent in the second quarter of 2021. IPAG's projections have been prepared on the assumption that most restrictions will be lifted in the second quarter of 2021. The budget act adopted by the Sejm envisages that the current year's inflation rate will reach 1.8 per cent compared to 3.4 per cent in 2020. By analogy, the IPAG's forecast projects that inflation could decrease to 2.5 per cent in 2021.

The growth will be driven chiefly by increases in electricity prices, and the rate of inflation should slow down gradually in the first half of 2021.

January 2021 saw the start of public consultation on the Partnership Agreement concerning the allocation of EU funds under the next financial perspective of the European Union for the years 2021-2027. The proposed value of funds allocated to Poland amounts to EUR 76 billion in current prices compared to EUR 82.5 billion in current prices that were allocated to Poland under the previous financial perspective. EUR 25.1 billion has been allocated to the Infrastructure and Environment programme, compared to EUR 27.4 billion under the previous financial perspective. Despite the reduced allocation, Poland will remain the largest beneficiary of EU funds. Although there is still no information on the structure of allocations for individual measures, the expected scale of assistance in the area of infrastructure projects should ensure that EU funds will continue to play a significant role in the growth of the Polish construction sector in the coming years. The forthcoming budgetary perspective will be the first in which railway projects will have priority over road projects.

An additional source of funding for investment projects will be the Recovery Fund. Poland will receive PLN 23.1 billion in subsidies, with PLN 18.9 billion to be transferred to Poland before 2022 and the rest by the end of 2023. In addition, Poland will receive PLN 34.2 billion in loans.

Forecasts for the construction market are positive and, despite the economic difficulties, the amounts allocated to investments by GDDKiA and PKP PLK should increase in 2021. At the end of 2020, the average value of the order portfolio among contractors operating in the road and rail markets increased, while companies with high exposure to the general construction segment saw a decrease in the order portfolio value. At the beginning of this year, the number of contracts announced may be limited due to the onset of the new EU perspective and the ongoing consultation on the selection of projects that will receive EU funding. Another uncertainty relates to projects financed by local governments whose revenues may be reduced due to the economic downturn.

The coronavirus pandemic did not have a significant impact on the projects implemented by the GDDKiA. Last year, the GDDKiA commissioned 140 kilometres of new roads. The total amount of expenditure exceeded PLN 18.0 billion (an increase by PLN 4.6 billion compared to 2019), of which PLN 13.2 billion came from the National Road Fund, while the remaining PLN 5.1 billion was provided by the state budget.

2020 was another year in which GDDKiA significantly increased its activities, announcing 48 tenders (34 in 2019) for sections with a total length of 600 kilometres (480 kilometres in 2019). According to the company's in-house analyses, the value of bids opened by the GDDKiA in proceedings of significant value increased in the past year. Throughout 2020, it stood at PLN 14.1 billion versus PLN 10.7 billion in 2019. Under the National Roads Construction Programme (Program Budowy Dróg Krajowych, PBDK), tenders for 493.1 kilometres were announced in 2020 and 32 contracts were signed for the construction of roads with the total length of about 430 kilometres and the value of PLN 17.7 billion (PLN 5.3 billion in 2019). As part of the "Programme for the Construction of 100 Bypasses", 3 general contracting agreements have been signed for roads with a total length of 19.9 kilometres and a value of PLN 420 million, while 10 further tenders are pending. The programme provides for the construction of roads with a total length of 830 kilometres.

Last year, the budget for the largest road investment programmes was increased. In June 2020, the government increased the PBDK budget by PLN 21 billion. The decision is related to the increase of costs on the construction market and addition of projects that were originally to be implemented under the PPP formula (Tricity Metropolitan Bypass, S10 Toruń – Bydgoszcz, S6 on Koszalin – Słupsk and Słupsk – Łębork sections) to the programme list. In November 2020, the Council of Ministers passed an act to change the name of the Local Government Road Fund to the Government Road Development Fund (Rządowy Fundusz Rozwoju Dróg, RFRD). The budget of the project was increased by PLN 3 billion and currently amounts to PLN 39 billion for the entire ten-year period of its operation (2019–2028). The act has also extended the list of tasks that may be subsidised from the RFRD to include bypasses within provincial roads, municipal tasks and projects that improve the safety of pedestrians at crossings. The maximum co-financing amounts to PLN 100 million for the construction of a bypass and PLN 30 million for municipal tasks. As in 2019, the project's budget for 2021 is PLN 3.2 billion. GDDKiA has announced its intention to introduce changes to the tendering process by establishing a contractor certification system. The benefits for economic operators include a reduction in the time and cost of preparing a bid, while the contracting authority would be able to verify contractors more quickly and effectively. GDDKiA presented the most beneficial corridor variants for the planned sections - S10 and the Warsaw Agglomeration Bypass in class S or A. For the S10 section, the most favourable option with an estimated construction cost of PLN 4.7 billion is the 100-kilometre-long section between the Włocławek Północ and Nacpolsk junctions. For the S-class section of the Warsaw Agglomeration Bypass, the most favourable option with an estimated construction cost of PLN 10.9 billion is the 165-km-long section between the Wiskitki and Dębe Wielkie junctions. For an A-class road, the most favourable option with an estimated construction cost of PLN 7.5 billion is the 98-km-long section between the Wiskitki and Dębe Wielkie junctions. According to the plan of orders to be announced in 2021, published in December 2020, GDDKiA will announce 28 tenders for the construction of new roads with a total length of 350 kilometres and a value exceeding PLN 17 billion, including 8 sections of the planned S19 expressway with a total length of about 100 kilometres. In addition, repairs of roads with a total length of 330 kilometres and a value of approx. 2.5 billion PLN have been planned. An increase in investment in road construction is expected in the coming years due to the significant increase in the value of tender procedures announced last year. It is worth noting that the share of tenders in the "design & build" formula has increased at the expense of contracts in the "build" formula. Last year also saw an average 30 per cent drop in the value of bids submitted by contractors relative to the investor's budget.

The long-term growth outlook for rail construction sector in Poland is very positive. In January 2021, the level of completion of the KPK, measured by the percentage of contracts completed and in progress, exceeded 89 per cent. A new EU financial perspective begins in 2021, which may increase PKP PLK's tendering activities. The list of tasks with EU funding has not yet been published.

According to the company's internal analyses, the value of bids opened by PKP PLK in major tenders has dropped, as it amounted to PLN 4.9 billion in 2020 versus PLN 12.5 billion in 2019. For 2020, PKP PLK has planned capital expenditure of around PLN 13 billion. As at mid-February 2021, the level of expenditure actually incurred has not been published. The plan for 2021 provides

for the announcement of at least 60 tenders with a total value of PLN 16.5 billion. The largest projects planned are the reconstruction of the Rail Baltica line between Białystok and Elk, the reconstruction of the Giżycko-Kartuzy route and the construction of the Poznań railway bypass. In addition, PLN 650 million has been set aside for repair and maintenance work. PKP PLK also holds project documentation allowing for the announcement of further tenders for construction work worth tens of billions of Polish zlotys. This year, the government plans to adopt a programme to build the Małaszewicze Logistics Park. Cargotor (PKP Cargo Group) has already applied for a building permit. The total value of the project stands at over PLN 3 billion. Tenders for projects under the Rail Plus Programme should start appearing as of next year. As at the end of January 2021, 76 applications qualified for the programme, and tender procedures for the preparation of the planning and forecasting study have already been announced for 11 projects. The total value of the programme is PLN 6.6 billion, and it should be completed by 2028.

The first stage of the Central Communication Port investment programme has commenced. The programme is scheduled for completion by 2023 and is expected to cost PLN 13 billion. The first field work has begun in the area of the planned Central Communication Port (CPK). The work involves surveying the land and drawing up a detailed map of the site. CPK has previously entered into strategic consulting agreements with Incheon Airport in Seoul and for environmental studies. Last year, however, it was not possible to select a contractor for the master plan because the bidders did not meet the formal requirements. The process of selecting a master plan contractor should be completed in the first quarter of this year. In December 2020, the process of purchasing land for the construction of CPK was launched. In addition to investments in airport infrastructure, the CPK construction plan also envisages a number of rail and road projects. The government adopted a regulation on the list of projects accompanying the construction of CPK. There are plans to build 1,800 kilometres of new railway lines and 400 kilometres of new expressways, including the Warsaw Agglomeration Bypass (S50) and the S10 road between Toruń and Naruszewo.

Projects in the hydraulic engineering sector are gradually being prepared. In the area of port projects, 3 major investments in container terminals in Gdańsk, Gdynia and Świnoujście are planned. For the port of Gdańsk, a strategic advisor has been selected, while in Gdynia and Świnoujście proceedings are currently underway to select the investor and subsequent operator of the deepwater terminal. Four entities are interested in the Gdynia project, while the opening of bids for the Świnoujście port is expected to take place in the second quarter of this year. The total value of seaport projects is estimated at over PLN 20 billion. The final version of the Oder Waterway Development Programme should be published this year. The project will include the E30 waterway on the Oder River from the Czech border to Świnoujście. In addition, investments are planned in the E40 waterway covering the Vistula River from Gdańsk to Warsaw, the Narew and the Bug rivers and the E70 waterway covering the Oder River from the Oder-Havel Canal to Kostrzyn, the Vistula-Oder waterway, the Lower Vistula River and the Szkarpa River. The estimated cost of investment in the development of water transport infrastructure amounts to over PLN 77 billion. Of the hydrological infrastructure projects, the flood protection programme, funded by the World Bank, is the most advanced one. The largest project financed under the programme is the largest flood protection reservoir in Racibórz with a capacity of 185 million cubic metres.

There is good news from the electricity transmission market, where Polskie Sieci Elektroenergetyczne (PSE) has announced further investments. The ERO President approved the "Development Plan for Meeting Current and Future Electricity Demand" for 2021-2030. The total capital expenditure provided for in the plan amounts to around PLN 14 billion in 2019 prices.

In October 2020, the construction of the Mikołowa - Czarna line was completed. In the near future, the Mikołowa - Pasikowice and Czarna - Pasikowice line connections will also be put into service. Last year, the company announced that it had signed an agreement with the EU's Innovation and Networks Executive Agency to subsidise electricity infrastructure projects.

The project involves the construction of an energy link between Poland, Lithuania, Latvia and Estonia. Funding for the construction of the grid between Poland and Lithuania amounts to EUR 493 million. In February 2021, seabed surveys of the Baltic Sea were launched. Construction work is scheduled to commence next year on the Kozienice - Miłosna power line, for which PSE has already received an environmental decision. The design process and the tender for the selection of the contractor for construction and assembly works are currently underway. For the next 10 years, PSE has announced transmission infrastructure projects in Lower Silesia worth around PLN 950 million.

In the past year, the power engineering segment once again maintained a good growth rate. The projects in Jaworzno with a capacity of 910 MW and in Stalowa Wola with a capacity of 450 MW were commissioned. The construction of a 450 MW power unit in Turów and a 500 MW unit in Żerań, Warsaw, is currently being finalised. Construction of power plants in Puławy and Nowy Czarnów has recently begun. Enea's management board has decided to withdraw from financing the project to build a new gas-fired unit at the Ostrołęka power plant. Originally, the project envisaged the construction of a coal-fired unit, but eventually PKN Orlen decided to build a gas-fired unit. The new partner for the investment is PGNiG. The construction of the "Nowa Czechnica" CCGT unit in Siechnice near Wrocław is at the planning stage. This unit will replace the existing coal-fired unit. An agreement for connection to the gas network was signed with Gaz-System in the past year. PKN Orlen announced the selection of Northland Power Inc. as a partner for the construction of an offshore wind farm in the Baltic Sea. The cooperation involves the construction and operation of a farm with a capacity of up to 1.2 GW. PKN Orlen has already signed a connection agreement with PSE. Construction work will start in 2023 and is expected to take 3 years. PGE is also preparing to construct offshore power plants, having signed an agreement with Orsted in early 2021 to set up a company responsible for the construction and operation of two projects with capacity of up to 2.5 GW. In total, PGE plans to build 3 offshore wind farms with a total capacity of up to 3.5 GW.

The government adopted a resolution on Energy Policy of Poland until 2040. The document sets out the directions for the development of the energy sector. The strategy is based on 3 pillars: a fair transformation of all regions, a carbon-neutral energy system and good air quality. The act stipulates that the share of renewable energy sources in gross final energy consumption in 2030 should reach 23 per cent, that greenhouse gas emissions should fall by 30 per cent by 2023 compared to 1990, that offshore power plants with a capacity of 5.9 GW will be built by 2030 and that a nuclear power plant will be commissioned in 2033. Four potential locations for the future nuclear power plant were identified. Apart from the previously indicated Lubiatów and Żarnowiec, two new locations near Pątnów and Bełchatów were also identified. A total of 6 nuclear power plant units are planned to be built in Poland, with the first one to be commissioned in 2033.

In November last year, Gaz-System announced another consultation on the revision of the Gas Transmission Network Development Plan for 2020-2029. In December 2020, the company announced that it had signed agreements with contractors for

all sections of the Baltic-Pipe project. The project comprises the construction of 900 kilometres of gas pipeline by 2022. The first construction work has already begun. Polskie LNG (a company from the Gaz-System Capital Group) has received a permit for the construction of a third LNG tank with a capacity of 180 thousand cubic metres at the LNG terminal in Świnoujście. In February 2021, Lithuanian transmission system operator, Amber Grid, announced that 126 kilometres of gas pipeline had been laid between Poland and Lithuania. The entire project, with a total length of 165 kilometres, is scheduled for completion by the end of the year.

Several factors have emerged in the last year that should have a positive impact on the residential market, the cost of credit has dropped and, due to the pandemic, investors have started to look for safe ways to invest their capital. Despite this, the number of flats sold has declined by 19 per cent in 2020. 53.0 thousand flats were sold on the 6 largest markets, i.e. in Warsaw, Wrocław, Kraków, Łódź, Poznań and Tri-City, as compared to 65.4 thousand flats in 2019. Last year was another year that saw an increase in flat prices. On the primary market, prices have increased by, depending on the city, from 3 per cent to as much as 12 per cent. In 2020, most of the leading residential developers reported a decline in the number of flats sold. In the current situation, it is difficult to determine how sales of flats will evolve in the coming years. On the one hand, very low interest rates are to be maintained and the creditworthiness of Poles should continue to rise. On the other hand, the number of flats whose construction was started by developers fell by more than 8 per cent last year. In addition, the land base available to developers is shrinking, which may consequently lead to further price increases in the residential market. The increase in flat prices may also be due to an increase in the price of construction materials and an increase in employment costs. The government reported the status of the Mieszkanie Plus ("Flat Plus") programme as at the end of 2020. Over 26,000 flats have been built or started, compared to the announced volume of 100 thousand flats. In January 2021, the "Premises for Land" Act was passed, providing for greater use of land for residential development. The act provides that a municipality, in exchange for the transfer of land for the construction of flats, will receive part of the premises from the investor. The investor will be able to construct a new residential building on a plot of land acquired from the municipality or redevelop an existing building.

Budimex remains interested in implementing projects under the public-private partnership (PPP) formula. There are still very few PPP tenders for high-value projects on the Polish market. One of the largest tenders for a project in the PPP formula is the procedure for the construction and maintenance of a tram line in Kraków, which was completed last year. The value of the project is approximately PLN 1.0 billion.

1.3 Strategy adopted by the issuer and its capital group

Formally, the Management Board of Budimex did not adopt a growth strategy for the Company and the Budimex Group. Nonetheless, the Management Board of Budimex SA takes steps aimed at increasing the company's value for all shareholders. In the reporting period as well as in the perspective of the next financial year, the Management Board of Budimex SA intends to build the company's value by focusing on improving the margin on the order book and winning new, profitable construction contracts.

In the long run, the Management Board of Budimex SA will consistently strive to diversify its activities both in the construction business (e.g. increasing its presence in such market segments as the railway segment or hydraulic engineering construction segment), as well as in the expansion of investment and service activities related to road, railway and general construction infrastructure (e.g. PPP projects, infrastructure maintenance, management of municipal waste).

2 CURRENT ACTIVITIES AND DEVELOPMENT PERSPECTIVES FOR THE BUDIMEX GROUP

2.1 The Group's organisational structure, consolidated entities and changes in Group organisation

The main area of business activities of the Group are broadly interpreted construction and assembly services rendered in the system of general contracting at home and abroad, development activities, property management, as well as service activities. As part of its service activities, the Budimex Group deals with municipal waste management, comprehensive road maintenance and technical maintenance of buildings.

The main area of business activity of Budimex SA (the "Company") as the Parent Company is rendering construction and assembly services, and rendering management and advisory services to other companies in the Budimex Group. Execution by Budimex SA of the advisory, management and financial functions serves to:

- ensure a quick flow of information across the Group,
- strengthen the efficiency of cash and financial management of individual companies,
- strengthen the market position of the Group as a whole.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Changes in the Group's organisation:

On **15 June 2020**, the partners of Budimex SA Cadagua SA II s.c. agreed to dissolve the partnership as of 30 June 2020 due to the achievement of the economic purpose for which the partnership was established.

On **25 June 2020**, FBŚerwis Odbiór Sp. z o.o. was entered in the National Court Register. FBŚerwis S.A. holds 100% of shares in the share capital of FBŚerwis Odbiór Sp. z o.o.

On **30 June 2020**, the partners of Budimex SA Energetyka 3 sp. j. adopted resolutions on liquidation of the partnership without conducting liquidation proceedings.

On **22 July 2020**, pursuant to the resolution of the partners, Budimex SA Ferrovia Agroman SA sp. j. was renamed to Budimex SA Ferrovia Construcción SA sp. j.

On **31 August 2020**, the partners of Budimex SA Ferrovia Agroman SA s.c. adopted a resolution to dissolve the partnership due to the achievement of the economic purpose for which the partnership was established.

On **23 September 2020**, the Extraordinary General Meeting of Shareholders of Budimex L Sp. z o.o. passed a resolution on amending the company's articles of association, inter alia changing the name from Budimex L Sp. z o.o. to ConVentures Sp. z o.o. According to the resolution, the sole business of the company consists of activities related to the management of investment funds.

In 2020, there were no changes in the management policies at the Budimex Group.

The parent company, its subsidiaries and jointly controlled entities of the Budimex Group are listed below:

Company name	Registered office	Share in the share capital and in the number of votes (%)		Consolidation method	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
Parent company					
Budimex SA	Warsaw / Poland			full	full
Consolidated					
Mostostal Kraków SA	Kraków / Poland	100.00%	100.00%	full	full
Mostostal Kraków Energetyka Sp. z o.o.	Kraków / Poland	100.00%	100.00%	full	full
Budimex Bau GmbH	Cologne / Germany	100.00%	100.00%	full	full
Budimex Nieruchomości Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	full	full
Budimex Budownictwo Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	full	full
Budimex Kolejnictwo SA	Warsaw / Poland	100.00%	100.00%	full	full
FBSerwis SA	Warsaw / Poland	100.00%	100.00%	full	full
FBSerwis A Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	full	full
FBSerwis B Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	full	full
FBSerwis Karpatia Sp. z o.o.	Tarnów / Poland	100.00%	100.00%	full	full
FBSerwis Wrocław Sp. z o.o.	Bielany Wrocławskie / Poland	100.00%	100.00%	full	full
FBSerwis Dolny Śląsk Sp. z o.o.	Ścinawka Dolna / Poland	100.00%	100.00%	full	full
FBSerwis Odbiór Sp. z o.o.	Warsaw / Poland	100.00%	-	full	-
FBSerwis Kamieński Sp. z o.o.	Kamieński / Poland	80.00%	80.00%	full	full
Budimex Parking Wrocław Sp. z o.o.	Warsaw / Poland	51.00%	51.00%	full	full
SPV-PIM1 Sp. z o.o.	Warsaw / Poland	-	100.00%	-	full
Non-consolidated					
Budimex Most Wschodni SA	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex Autostrada A1 SA (w likwidacji) ³	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. w upadłości likwidacyjnej	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex A Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex C Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex D Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex F Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex H Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex I Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex J Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex K Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
ConVentures Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex PPP SA	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Company name	Registered office	Share in the share capital and in the number of votes (%)		Method of recognition in the financial statements	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
Joint operations					
Budimex SA – Cadagua SA III s.c.	Warsaw / Poland	99.90%	99.90%	share in assets, liabilities, revenues and costs	share in assets, liabilities, revenues and costs
Budimex SA – Cadagua SA IV s.c.	Warsaw / Poland	99.90%	99.90%		
Budimex SA – Cadagua SA V s.c.	Warsaw / Poland	99.90%	99.90%		
Budimex SA Ferrovial Agroman SA 2 s.c.	Warsaw / Poland	95.00%	95.00%		
Budimex SA Sygnity SA sp. j.	Warsaw / Poland	67.00%	67.00%		
Budimex SA Tecnicas Reunidas SA Turów s.c.	Warsaw / Poland	50.00%	50.00%		
Budimex SA Ferrovial Construcción SA sp.j.	Warsaw / Poland	50.00%	50.00%		
Budimex SA Energetyka 3 sp.j.	Warsaw / Poland	-	100.00%		
Budimex SA Ferrovial Agroman SA s.c.	Warsaw / Poland	-	99.98%		
Budimex SA – Cadagua SA II s.c.	Warsaw / Poland	-	99.90%		

2.2 Operating segments and branches of the Parent Company

As at 31 December 2020, the Group conducted business in the following operating segments:

- construction business,
- development activities and property management,
- service activities.

Construction business covers rendering of widely understood construction and assembly services at home and abroad and is realised by the following Group companies:

- Budimex SA
- Mostostal Kraków SA
- Mostostal Kraków Energetyka Sp. z o.o.
- Budimex Bau GmbH
- Budimex Budownictwo Sp. z o.o.
- Budimex Kolejnictwo SA.

Development and property management services comprise preparation of land for investment, execution of investment projects in the field of residential building, sale of apartments and rental and management of property on own account. Included in this operating segment are the following Group companies:

- Budimex Nieruchomości Sp. z o.o.
- SPV-PIM1 Sp. z o.o. (merged with Budimex Nieruchomości Sp. z o.o. on 26 May 2020)
- Budimex SA in the part relating to the development business, as a result of a merger with Budimex Inwestycje Sp. z o.o. on 13 August 2009.

The segment of services includes comprehensive services in the field of waste management, maintenance of road infrastructure, expansion and management of lighting infrastructure and technical maintenance of real estate. The service segment also includes other entities of the Group that conduct, among others, activities under Public-Private Partnership. Included in this operating segment are the following Group companies:

- Budimex Parking Wrocław Sp. z o.o.
- FBSerwis SA
- FBSerwis A Sp. z o.o.
- FBSerwis B Sp. z o.o.
- FBSerwis Dolny Śląsk Sp. z o.o.
- FBSerwis Wrocław Sp. z o.o.
- FBSerwis Karpatia Sp. z o.o.
- FBSerwis Kamieński Sp. z o.o.
- FBSerwis Odbiór Sp. z o.o. (fully consolidated since 1 October 2020)

As at 31 December 2020, the Parent Company operated the following branches:

- General Construction North Branch in Poznań, ul. Wołowska 92A,

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

- General Construction South Branch in Kraków, ul. Ujastek 7,
- General Construction East Branch in Warsaw, ul. Siedmiogrodzka 9,
- Infrastructure North Branch in Warsaw, ul. Siedmiogrodzka 9,
- Infrastructure South Branch in Kraków, ul. Ujastek 7,
- Infrastructure West Branch in Wrocław, ul. Mokronoska 2,
- Industrial and Railway Branch in Warsaw, ul. Siedmiogrodzka 9,
- Equipment Services Branch in Pruszków, ul. Przejazdowa 24,
- Branch in Rzeszów, ul. Słowackiego 24,
- Branch in Poznań, ul. Wołowska 92A,
- Budimex Spółka Akcyjna Zweigniederlassung Köln, Pferdmenesstr. 5, Cologne.

Other Group companies conducted activities abroad through the following branch offices:

- Mostostal Kraków Spółka Akcyjna Zweigniederlassung Köln, Pferdmenesstrasse 5, Cologne.

2.3 Structure of sales revenues

2.3.1 Structure of sales revenues of the Budimex Group

Sales of the construction segment

In 2020, the construction market (measured by the value of sales of construction and assembly production) increased by 0.4 per cent

in comparison with 2019 and recorded much slower growth rate than in 2019 as compared to 2018. The infrastructure construction sector recorded an increase (+1.2 per cent), while the output volume in the general construction sector fell by 0.5 per cent.

The increase in sales of the Budimex Group's construction segment in the reviewed period amounted to 5.4 per cent as compared to 2019.

The share of the infrastructural construction segment in total revenue from sales of the Group's construction and assembly services increased from 43.2 per cent in 2019 to 44.4 per cent in 2020. Following the acquisition of new railway contracts, the share of this segment in the revenue structure of the Group's construction segment increased from 16.6 per cent to 20.9 per cent in 2020. The share of the general construction segment dropped from 40.1 per cent in 2019 to 34.7 per cent in 2020.

The sales structure by individual segments of the construction market is presented in the table below:

Type of construction	Sales value			
	2020		2019	
	PLN million	%	PLN	%
Civil engineering (infrastructure)	3 347	44.4%	3 092	43.2%
Rail buildings and structures	1 577	20.9%	1 190	16.7%
General construction, of which:	2 615	34.7%	2 870	40.1%
- non-residential buildings	2 055	27.3%	2 215	31.0%
- residential buildings	560	7.4%	655	9.1%
Sales of the construction segment	7 539	100.0%	7 152	100.0%

Development activities

In 2019, the revenues from sales in the development business amounted to PLN 673 564 thousand, thus recording a 21 per cent increase compared to the previous year. Revenues from sales of the development business are recognised upon the transfer of the ownership title to a flat/premises to the buyer after the technical acceptance report has been signed for the entire building. Notary sales of flats depend on the dates of completion of the construction projects and the delivery of finished flats to the customers. It is not a seasonal phenomenon, nor can it be compared annually.

In 2020, pre-sales of the development segment stood at 1 672 flats and were slightly higher (17 flats) than in the previous year. Demand for new flats proved stable throughout 2020, despite a noticeable drop in pre-sales in March and April, i.e. the period of strict economic shutdown. The main drivers of pre-sales were low interest rates and rising inflationary pressures resulting in the transfer of available funds from banks to the real estate sector.

Due to the launch of ten new residential projects during the year, the land bank dropped from around 8 thousand flats at the end of 2019 to around 6.5 thousand at the end of 2020.

At the beginning of the second half of 2020 Budimex SA Management Board has undertaken a decision to begin the review process of strategic options for developer market, in which analysis for scenarios including gaining major investor or investors, share sale or introduction of the company on WSE would be considered. As the result of the review, on 22th of February 2021 Budimex SA

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

concluded a conditional sales for disposal of 100% shares in Budimex Nieruchomości Sp. z o.o. to CP Developer S.ar.l. Detailed description of transaction and forecasted impact of the Group financial data was presented in Budimex Group consolidated financial statement for year 2020 note 43.

Major construction contracts concluded by the Budimex Group companies in 2020:

Contract date	Customer	Contract value allocated to the Budimex Group	Type of construction
2020-07-07	PKP Polskie Linie Kolejowe SA	1 760 519	Performance of construction works related to the redevelopment of Warszawa Zachodnia station
2020-01-08	General Directorate for National Roads and Motorways Branch in Białystok	843 737	Design and construction of S61 express road – Augustów bypass – state border: section between the end of Suwałki bypass and Budzisko, including Szypliszki bypass
2020-05-12	General Directorate for National Roads and Motorways Branch in Warsaw	486 828	Design and construction of S7 express road on the Płońsk – Czosnów section, Section III from (and including) "Modlin" junction to „Czosnów” junction (excluding the junction)
2020-03-04	General Directorate for National Roads and Motorways Branch in Szczecin	471 398	Design and construction of S11 Koszalin–Szczecinek road at the section from the Koszalin Zachód junction (excluding the junction) – Bobolice junction. Section 1
2020-12-09	General Directorate for National Roads and Motorways Branch in Białystok	469 108	Design and construction of S19 road at the section from the Białystok Zachód junction (excluding the junction) to the Białystok Księżyno junction (including the junction)
2020-04-27	General Directorate for National Roads and Motorways Branch in Bydgoszcz	460 802	Continuation of the design and construction of the S-5 express road section Nowe Marzy – Bydgoszcz – border of Kujawsko-Pomorskie and Wielkopolskie provinces. Part 1
2020-07-10	General Directorate for National Roads and Motorways Branch in Kraków	380 223	Construction of S1 expressway Kosztowy – Bielsko-Biała. Section IV Oświęcim bypass (GP class national road No 44)
2020-01-08	Miejskie Przedsiębiorstwo Wodociągów i Kanalizacji w m.st. Warszawie SA	348 979	Construction of Wiślany sewer – stage II
2020-10-19	Operator Gazociągów Przesyłowych GAZ-SYSTEM SA	314 800	Construction of the DN1000 Goleniów-Lwówek pipeline together with the infrastructure necessary for its operation. Part 1 – Goleniów – Ciecierzycy
2020-09-11	General Directorate for National Roads and Motorways Branch in Katowice	229 368	Construction of road S1 Pyrzowice – Kosztowy, section: Podwarpie – Dąbrowa Górnicza (reconstruction of National Road 1)
2020-04-28	General Directorate for National Roads and Motorways Branch in Olsztyn	165 604	Construction of S5 express road on the Ornowo–Wirwajdy section
2020-12-18	Road and Bridge Authority [Zarząd Dróg i Mostów] in Lublin	188 187	Construction of the Integrated Communication Centre (ICC) for the Lublin Functional Area (LFA) – tasks 1, 3 and 4
2020-03-16	Polish Theatre in Szczecin	159 395	Extension of the Polish Theatre in Szczecin

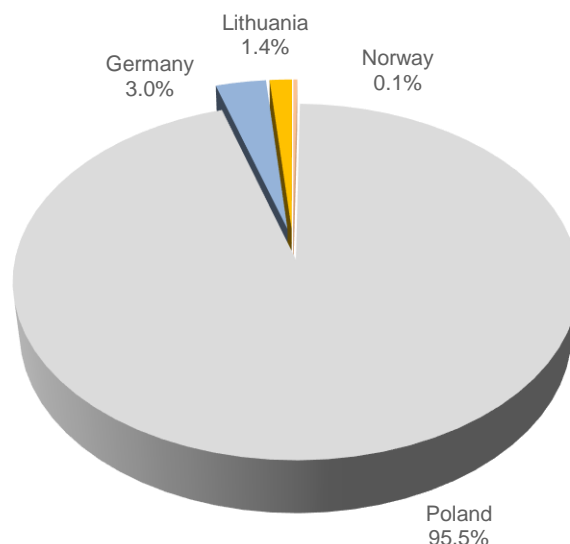
(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Geographical structure of the Budimex Group sales in 2020

The main markets on which the Budimex Group operates are:

- Poland
- Germany
- Lithuania

The geographical structure of revenues from sales in 2020 is as follows:



2.3.2 Structure of sales revenues of Budimex SA

Sales of construction and assembly services

In 2020, sales of construction and assembly services of the Company increased by 5.0 per cent when compared to 2019. Sales of the infrastructural segment increased to PLN 3 380 million in 2020 from PLN 3 083 million in 2018 (by 9.6 per cent). Sales in the rail area increased significantly (by 33.9 per cent) from PLN 1 131 million to PLN 1 514 million in 2020. Sales in the general construction segment decreased by 12.7 per cent (from PLN 2 660 million in 2019 to PLN 2 323 million in 2020).

The structure of sales of construction and assembly work by individual segments of the construction market is presented in the table below:

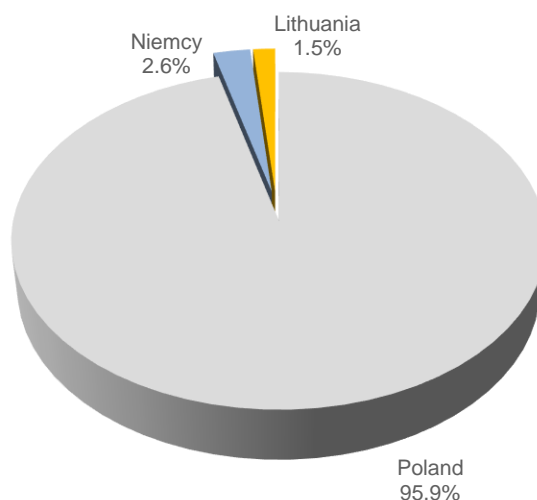
Type of construction	Sales value			
	2020		2019	
	PLN million	%	PLN million	%
Civil engineering (infrastructure)	3 380	46.8%	3 083	44.9%
Rail buildings and structures	1 514	21.0%	1 131	16.4%
General construction, of which:	2 323	32.2%	2 660	38.7%
- non-residential buildings	1 763	24.4%	2 005	29.2%
- residential buildings	560	7.8%	655	9.5%
Total sales of construction and assembly services	7 217	100.0%	6 874	100.0%

Geographical structure of Budimex SA sales in 2020

The main markets on which Budimex SA operates are:

- Poland
- Germany
- Lithuania

The geographical structure of revenues from sales in 2020 is as follows:



2.4 Construction activities of the Budimex Group on the German market¹

In 2020, mainly workshop services were rendered on the German market. Sales revenues amounted to PLN 206 818 thousand (of which PLN 183 455 was earned by Budimex SA) and were PLN 1 409 thousand, i.e. 0.7 per cent lower compared to 2019.

An increase was recorded in the case of prefabrication works (1.7 per cent), while a decline was recorded for metal-related works (5.0 per cent). The operating profit on the German market amounted to PLN 24 395 thousand in 2020, while in 2019 it was PLN 22 580 thousand, which represents an increase by 1 815 year-on-year. Overall profitability improved from 10.8 per cent in 2019 to 11.8 per cent in 2020, with both the profitability achieved on prefabrication works and that on metal-related works being 1.0 percentage point higher year-on-year. Customer structure shows dispersion and only one customer exceeded 10.0 per cent of total turnover (it accounted for 11.8 per cent of total turnover).

2.5 Budimex Group and Budimex SA development prospects in the forthcoming year

Next year the Budimex Group will continue to operate in all major sectors of the construction market in Poland, as well as on selected foreign markets.

The value of orders signed by the Budimex Group in 2020 was 20 per cent higher than in the previous year. In 2021, bidding activity for new tenders is expected to remain at a similar level, as the outlook for the entire construction market for this year and the coming few years is positive. Despite temporary difficulties caused by the pandemic, the amounts planned for investment by the main contracting authorities, i.e. the General Directorate for National Roads and Motorways (GDDKiA) and the Polish Railways (PKP PLK), are stable and should be at a similar level to the expenditure incurred in 2020. The capital expenditure of the main public contracting authorities is co-financed with EU funds and, thanks to the guarantee of funds in the new budget perspective for 2021–2027 under the Infrastructure and Environment programme, does not seem to be at risk. In addition, Poland will receive funds from the Recovery Fund, which will provide an additional source of investment funding, boosting further growth in the construction industry and the economy as a whole.

The Group also plans to consistently consolidate its position in the building objects construction segment and win new contracts in the industry and energy segment, rail segment and hydraulic engineering construction segment. Projects implemented on a public-private partnership basis are also in the area of interest.

Within a few months, the strategic option review process for the development segment is expected to be finalised. The option considered as a priority is the sale by Budimex SA of 100% shares in Budimex Nieruchomości Sp. z o.o.

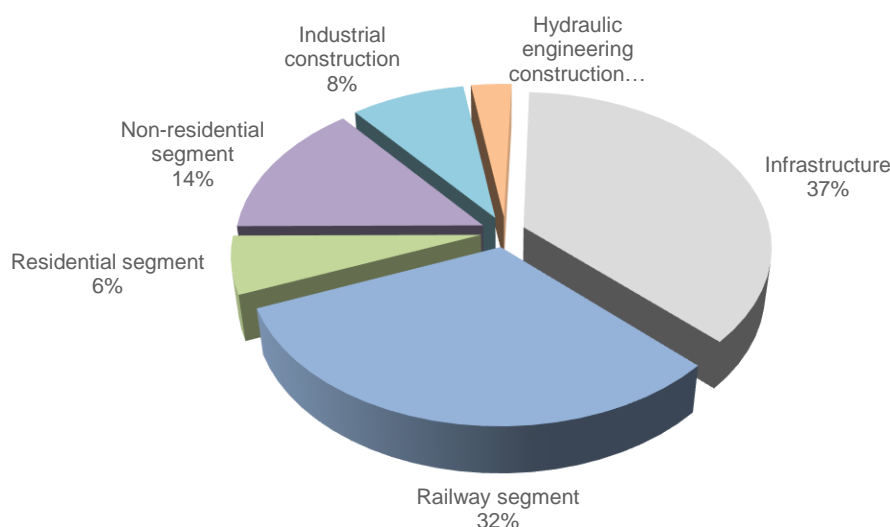
The prospect of exiting the property development segment will increase the focus on further growth of the FBSerwis Group, particularly in the area of municipal services, both organically and through potential acquisitions of entities with an established market position.

In 2020, the Budimex Group companies signed construction contracts for a total value of PLN 8 976 411 thousand (with annexes). The value of the order portfolio of the Budimex Group as at 31 December 2020 amounted to PLN 12 721 460 thousand and was 18 per cent higher in comparison with the end of 2019.

In 2020, Budimex SA in turn signed construction contracts for a total value of PLN 8 596 982 thousand (with annexes). As at 31 December 2020, the order portfolio amounted to PLN 12 289 473 thousand.

¹ The description of business activities does not cover all activities of the Budimex Group in Germany

The structure of the Budimex Group's order portfolio as at 31 December 2020 is as follows:



2.6 Evaluation of investment project feasibility

In 2021, the Budimex Group plans to incur capital expenditure of approx. PLN 132 million, of which approx. PLN 45 million will be incurred by Budimex SA, approx. PLN 21 million – by Budimex Kolejnictwo SA, and PLN 55 million by the FBŚerwis Group. Key expenditure will be incurred for the purchase of construction and railway machinery and implementation of IT projects. Capital expenditure planned by the FBŚerwis Group will include investments in the area of municipal services and means of transport.

2.7 Risk factors

In the course of its activities, Budimex Group is exposed to various financial risks, such as currency risk, interest rate risk, price risk, credit risk or loss of liquidity risk.

The inherent risk of any business activity is the credit risk of business partners. Despite implementing restrictive debt control procedures at the Group, the risk of investor insolvency has not been eliminated. Delays in timely repayment of debt may have adverse effects on the financial results of the Group and may require that receivables impairment write-downs be recognised or that current business be financed through external borrowings.

Information concerning the financial risk management objectives and policies adopted by the Group is presented in the consolidated financial statements for the year ended 31 December 2020 (note 3).

Construction contracts are executed under specific technical and economic conditions which have an effect on the level of realised margin. The Budimex Group companies rendering construction services monitor technical, organisational, legal and financial risks related to the planning and progress of contract work. Despite control and preventive measures undertaken with respect to general risks (credit, currency and third party liability risks), it is possible that certain factors occur due to which contracts will be performed with lower margins than initially planned. Such factors may include:

- a broadly understood economic uncertainty caused by the current COVID-19 pandemic,
- increases in prices of construction materials, energy and oil derivatives,
- increases in costs of subcontractor services, limited availability or bankruptcy of subcontractors,
- increases in employment costs and limited availability of qualified employees,
- delays in timely performance or insufficient quality of subcontracted works,
- delays in obtaining relevant administrative decisions,
- changes in the scope of work or technologies as agreed in the contracts,
- unfavourable weather or land conditions.

2.8 Procurement source changes

In 2020, there were no significant changes in the procurement sources for construction sites. None of the suppliers of raw materials or services exceeded 10 per cent of the Budimex Group's and Budimex SA's sales.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

3 FINANCIAL POSITION**3.1 Key economic and financial data****3.1.1 Key economic and financial data of the Budimex Group**

The financial situation of the Budimex Group in 2020 is characterised by selected items disclosed in the Statement of Financial Position and Profit and Loss Account (broken down below together with the 2019 comparative data).

Consolidated statement of financial position of the Budimex Group

The main items of the Consolidated Statement of Financial Position of the Budimex Group as at 31 December 2020, compared to 31 December 2019, are presented in the table below:

ASSETS	31.12.2020	31.12.2019	Change	Change %
Non-current assets	1 536 267	1 434 542	101 725	7.09%
Property, plant and equipment	548 812	512 921	35 891	7.00%
Investment properties	9 876	7 721	2 155	27.91%
Intangible assets	162 030	168 822	(6 792)	(4.02%)
Goodwill of subordinates	168 508	168 508	-	0.00%
Investments in equity accounted companies	2 221	2 076	145	6.98%
Investments in equity instruments	6 922	7 816	(894)	(11.44%)
Retentions for construction contracts	40 843	59 212	(18 369)	(31.02%)
Trade and other receivables	28 550	41 887	(13 337)	(31.84%)
Concession agreement receivables	46 654	46 690	(36)	(0.08%)
Deferred tax assets	521 851	418 889	102 962	24.58%
Current assets	5 925 973	5 239 417	686 556	13.10%
Inventories	1 998 255	2 013 756	(15 501)	(0.77%)
Trade and other receivables	918 039	1 096 157	(178 118)	(16.25%)
Retentions for construction contracts	28 770	48 433	(19 663)	(40.60%)
Valuation of construction contracts	594 315	444 008	150 307	33.85%
Current tax assets	338	108	230	212.96%
Other financial assets	1 858	120 978	(119 120)	(98.46%)
Cash and cash equivalents	2 384 398	1 515 977	868 421	57.28%
TOTAL ASSETS	7 462 240	6 673 959	788 281	11.81%

As at 31 December 2020, consolidated total assets increased by PLN 788 281 thousand compared to 31 December 2019, due to a 7.09 per cent (PLN 101 725 thousand) increase in non-current assets and a 13.10 per cent (PLN 686 556 thousand) increase in current assets.

Non-current assets:

The change in the value of non-current assets as at 31 December 2020 compared to 31 December 2019 was caused mainly by the following:

- an increase in the balance of property, plant and equipment by PLN 35 891 thousand, mainly due to the acquisition or acceptance for use under lease agreements of fixed assets in the amount of PLN 176 211 thousand. On the other hand, the balance of property, plant and equipment was decreased by depreciation charges amounting to PLN 120 371 thousand;
- an increase in the balance of deferred tax assets by PLN 102 962 thousand due to an increased balance of negative temporary differences on items included in liabilities;
- a decrease in the balance of retentions for construction contracts by PLN 18 369 thousand.

Current assets:

In the same period, current assets increased by PLN 686 556 thousand mainly due to an increase in the balance of cash and cash equivalents by PLN 868 421 thousand.

Other changes in current assets were related to:

- a decrease in other short-term financial assets by PLN 119 120 thousand, mainly attributable to the sale of bonds issued by Polish banks,
- an increase in the balance of valuation of construction contracts by PLN 150 307 thousand, due to decreased level of invoicing of work performed in the last quarter of the year,
- a decrease in trade and other receivables by PLN 178 118 thousand, mainly as a result of their faster repayment by investors.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

EQUITY AND LIABILITIES	31.12.2020	31.12.2019	Change	Change %
Shareholders' equity attributable to the shareholders of the Parent Company	1 149 351	808 149	341 202	42.22%
Share capital	145 848	145 848	-	0.0%
Share premium	87 163	87 163	-	0.0%
Other reserves	(139)	1 180	(1 319)	(111.78%)
Foreign exchange differences on translation of foreign operations	6 473	7 000	(527)	(7.53%)
Retained earnings	910 006	566 958	343 048	60.51%
Equity attributable to non-controlling interests	37 920	28 491	9 429	33.09%
Total shareholders' equity	1 187 271	836 640	350 631	41.91%
Liabilities	6 274 969	5 837 319	437 650	7.50%
Non-current liabilities	1 139 735	1 049 392	90 343	8.61%
Loans, borrowings and other external sources of finance	261 663	273 258	(11 595)	(4.24%)
Retentions for construction contracts	240 263	229 522	10 741	4.68%
Provisions for non-current liabilities and other charges	593 398	498 422	94 976	19.06%
Retirement benefits and similar obligations	18 505	14 979	3 526	23.54%
Other financial liabilities	21 264	19 807	1 457	7.36%
Deferred tax liabilities	4 642	13 404	(8 762)	(65.37%)
Current liabilities	5 135 234	4 787 927	347 307	7.25%
Loans, borrowings and other external sources of finance	189 067	177 108	11 959	6.75%
Trade and other payables	1 371 850	1 530 773	(158 923)	(10.38%)
Retentions for construction contracts	216 458	215 032	1 426	0.66%
Provisions for construction contract losses	310 441	240 677	69 764	28.99%
Valuation of construction contracts	1 302 164	951 448	350 716	36.86%
Deferred revenue	1 469 626	1 356 310	113 316	8.35%
Provisions for current liabilities and other charges	227 111	216 746	10 365	4.78%
Current tax liability	44 815	96 653	(51 838)	(53.63%)
Retirement benefits and similar obligations	1 623	1 877	(254)	(13.53%)
Other financial liabilities	2 079	1 303	776	59.55%
TOTAL EQUITY AND LIABILITIES	7 462 240	6 673 959	788 281	11.81%

Equity and liabilities:

On the side of equity capital and liabilities the changes referred to:

- an increase in "retained earnings" as a result of the generation of a strong net profit for the 12 months of 2020,
- an increase in non-current liabilities by PLN 90 343 thousand, mainly due to:
 - an increase in liabilities on account of provisions for non-current liabilities by PLN 94 976 thousand, mainly due to an increase in provisions for warranty repairs and provisions for litigation;
 - an increase in the balance of retentions for construction contracts by PLN 10 741 thousand.
- an increase in current liabilities by PLN 347 307 thousand, of which the greatest balance movements related to the following:
 - an increase in the valuation of construction contracts by PLN 350 716 thousand, representing the difference between revenues invoiced to investors and revenues recognised in the profit and loss account,
 - an increase in the provision for contract losses by PLN 69 764 thousand,
 - an increase in deferred revenue by PLN 113 316 thousand, mainly as a result of an increase in the balance of prepayments for flats in the amount of PLN 307 557 thousand, and a decrease in prepayments for construction contracts (down by PLN 192 380 thousand),
 - and an increase in loans, borrowings and other external sources of finance by PLN 11 959 thousand, including primarily an increase in lease liabilities.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Consolidated Profit and Loss Account of the Budimex Group

CONSOLIDATED PROFIT AND LOSS ACCOUNT	01.01- 31.12.2020	01.01- 31.12.2019	Change	Change %
Net sales of finished goods and services, goods for resale and raw materials	8 382 240	7 569 663	812 577	10.73%
Cost of finished goods, services, goods for resale and raw materials sold	(7 445 207)	(7 018 111)	(427 096)	6.09%
Gross profit on sales	937 033	551 552	385 481	69.89%
Selling expenses	(31 273)	(30 478)	(795)	2.61%
Administrative expenses	(276 966)	(198 992)	(77 974)	39.18%
Other operating income	138 737	99 453	39 284	39.50%
Other operating expenses	(128 959)	(103 141)	(25 818)	25.03%
Operating profit	638 572	318 394	320 178	100.56%
Finance income	34 708	60 127	(25 419)	(42.28%)
Finance costs	(51 385)	(50 949)	(436)	0.86%
Shares in net profits / (losses) of equity accounted subordinates	145	4 785	(4 640)	(96.97%)
Gross profit	622 040	332 357	289 683	87.16%
Income tax	(150 646)	(103 506)	(47 140)	45.54%
Net profit for the period	471 394	228 851	242 543	105.98%
<i>of which:</i>				
- attributable to the shareholders of the parent company	459 465	226 014	233 451	103.29%
- attributable to non-controlling interests	11 929	2 837	9 092	320.48%

In 2020, the Budimex Group earned sales revenue of PLN 8 382 240 thousand, which represents a 10.73 per cent increase compared to the revenue earned in 2019.

In 2020, construction and assembly output in Poland expressed in current prices increased by 0.4 per cent year on year (increase by 2.2 per cent in constant prices), while sales of the Budimex Group's construction segment on the domestic market increased by 6.2 per cent in comparable periods.

In 2020, gross profit on sales was PLN 937 033 thousand, while in the previous year it was PLN 551 552 thousand. The gross sales profitability ratio for 2020 was therefore 11.2 per cent, while for 2019 it was 7.3 per cent.

In accordance with the adopted accounting policies, as soon as Group companies become aware of the fact that budgeted construction contract costs exceed the entire expected contract revenues, they create provisions for expected contract losses and recognise them in the consolidated statements of financing activities under "Provisions for construction contract losses". As at 31 December 2020, the balance of the provision for contract losses amounted to PLN 310 441 thousand. In 2020, the balance of the provision for contract losses increased by PLN 69 764 thousand.

The Budimex Group companies are required to provide guarantees for their construction services. As at 31 December 2020, the balance of provisions for warranty repairs was PLN 591 478 thousand. In the 12-month period ended 31 December 2020, the balance of provisions for warranty repairs increased by PLN 110 767 thousand.

Compared to the previous year, selling expenses increased in the twelve-month period ended 31 December 2020 by PLN 795 thousand, while administrative expenses were PLN 77 974 thousand higher than the expenses incurred in 2019. The share of the sum total of selling and administrative expenses in total sales revenue increased from 3.0 per cent in 2019 to 3.7 per cent in the current year.

Other operating income in 2020 amounted to PLN 138 737 thousand and other operating expenses – to PLN 128 959 thousand. Detailed analytics of other operating income and expenses are presented in note 32 to the consolidated financial statements.

In 2020, the Group posted an operating profit of PLN 638 572 thousand, representing 7.6 per cent of total sales revenues. In the previous year, the Group reported an operating profit of PLN 318 394 thousand, representing 4.2 per cent of total sales revenues.

In the 12-month period ended 31 December 2020, the Group reported loss on financing activities in the amount of PLN 16 677 thousand, while in 2019 – a profit of PLN 9 178 thousand. Detailed analytics of finance income and costs are presented in note 33 to the consolidated financial statements.

In 2020, the Group reported a gross profit of PLN 622 040 thousand, while in the previous year a gross profit of PLN 332 357 thousand.

Income tax expense for 2020 was PLN 150 646 thousand and included:

- current tax – PLN 262 024 thousand (including prior years' corrections of PLN -7 391 thousand),
- deferred tax – PLN (111 378) thousand.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

As at 31 December 2020, the Group recognised deferred tax assets in the amount of PLN 521 851 thousand and deferred tax liabilities in the amount of PLN 4 642 thousand, while as at 31 December 2019 the Group recorded deferred tax assets of PLN 418 889 thousand and liabilities of PLN 13 404 thousand. Items of deferred income tax asset reported in the statement of financial position of the Budimex Group result mainly from the specific method of settlement of construction contracts, under which the moment of recognition of costs as incurred and revenue as earned is different from the tax and accounting perspective.

The net profit attributable to the shareholders of Budimex SA for 2020 was PLN 459 465 thousand, while the net profit attributable to the shareholders of Budimex SA for 2019 was PLN 226 014 thousand, which represents an increase by 103.3 per cent.

Net profit attributable to non-controlling interest for 2020 amounted to PLN 11 929 thousand. In the previous year, net profit attributable to non-controlling interest stood at PLN 2 837 thousand.

3.1.2 Key economic and financial data of Budimex SA

The financial situation of Budimex SA in 2020 is characterised by selected items disclosed in the Statement of Financial Position and Profit and Loss Account (as below, together with the 2019 comparative data).

Statement of financial position of Budimex SA

The main items of the Company's Statement of Financial Position as at 31 December 2020, compared to 31 December 2019, are presented in the table below:

ASSETS	31.12.2020	31.12.2019	Change	Change %
Non-current assets	1 925 166	1 790 218	134 948	7.54%
Property, plant and equipment	226 165	211 609	14 556	6.88%
Intangible assets	36 177	32 374	3 803	11.75%
Investments in subsidiaries	1 047 419	1 042 194	5 225	0.50%
Investments in associates	191	191	-	0.00%
Investments in other entities	3 266	4 385	(1 119)	(25.52%)
Other financial assets	1 773	2 038	(265)	(13.00%)
Trade and other receivables	27 944	22 823	5 121	22.44%
Retentions for construction contracts	84 551	91 740	(7 189)	(7.84%)
Deferred tax assets	497 680	382 864	114 816	29.99%
Current assets	3 490 317	3 203 906	286 411	8.94%
Inventories	423 874	477 879	(54 005)	(11.30%)
Trade and other receivables	795 674	946 350	(150 676)	(15.92%)
Retentions for construction contracts	40 756	58 023	(17 267)	(29.76%)
Valuation of construction contracts	580 227	415 362	164 865	39.69%
Other financial assets	1 396	123 638	(122 242)	(98.87%)
Cash and cash equivalents	1 648 390	1 182 654	465 736	39.38%
TOTAL ASSETS	5 415 483	4 994 124	421 359	8.44%

As at 31 December 2020, the total assets increased by PLN 421 359 thousand as compared to 31 December 2019, and amounted to PLN 5 415 483 thousand. Changes in the Statement of Financial Position were mainly related to the following events:

Non-current assets:

Non-current assets increased by PLN 134 948 thousand, mainly as a result of:

- an increase in investments in subsidiaries by PLN 5 225 thousand, following share capital increases in subsidiaries,
- an increase in the balance of property, plant and equipment by PLN 14 556 thousand, mainly due to the acquisition or acceptance for use under finance lease agreements of fixed assets in the amount of PLN 111 499 thousand; at the same time, depreciation of property, plant and equipment amounted to PLN 72 766 thousand in 2020;
- an increase in the balance of deferred tax assets by PLN 114 816 thousand due to an increased balance of negative temporary differences on items included in liabilities.

Current assets:

In the same period, the value of current assets increased by PLN 286 411 thousand, mainly as a result of the following events:

- an increase in cash by PLN 465 736 thousand,
- a decrease in other financial assets by PLN 122 242 thousand, mainly attributable to the sale of corporate bonds issued by Polish banks in the amount of PLN 119 588 thousand,
- an increase in the balance of valuation of long-term construction contracts by PLN 164 865 thousand, due to decreased level of invoicing of work performed in the last quarter of the year,
- a decrease in trade and other receivables by PLN 150 676 thousand, mainly as a result of their faster repayment by investors.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

EQUITY AND LIABILITIES	31.12.2020	31.12.2019	Change	Change %
Share capital	145 848	145 848	-	0.00%
Share premium	80 199	80 199	-	0.00%
Other reserves	49 993	51 165	(1 172)	(2.29%)
Foreign exchange differences on translation of foreign operations	5 998	7 293	(1 295)	(17.76%)
Retained earnings / (accumulated losses)	588 020	393 896	194 124	49.28%
Total shareholders' equity	870 058	678 401	191 657	28.25%
Liabilities	4 545 425	4 315 723	229 702	5.32%
Non-current liabilities	854 942	685 524	169 418	24.71%
Loans, borrowings and other external sources of finance	108 191	106 211	1 980	1.86%
Retentions for construction contracts	224 501	213 687	10 814	5.06%
Provisions for non-current liabilities and other charges	507 774	353 932	153 842	43.47%
Retirement benefits and similar obligations	14 476	11 497	2 979	25.91%
Other financial liabilities	-	197	(197)	(100.00%)
Current liabilities	3 690 483	3 630 199	60 284	1.66%
Loans, borrowings and other external sources of finance	62 266	54 253	8 013	14.77%
Trade and other payables	1 161 969	1 300 098	(138 129)	(10.62%)
Retentions for construction contracts	201 526	206 465	(4 939)	(2.39%)
Provisions for construction contract losses	310 432	241 789	68 643	28.39%
Valuation of construction contracts	1 307 913	952 684	355 229	37.29%
Deferred revenue	394 681	585 910	(191 229)	(32.64%)
Provisions for current liabilities and other charges	216 672	208 790	7 882	3.78%
Current tax liability	33 489	78 102	(44 613)	(57.12%)
Retirement benefits and similar obligations	1 305	1 327	(22)	(1.66%)
Other financial liabilities	230	781	(551)	(70.55%)
TOTAL EQUITY AND LIABILITIES	5 415 483	4 994 124	421 359	8.44%

Equity and liabilities:

On the side of equity and liabilities, the most significant changes referred to:

- an increase in the balance of current liabilities by PLN 60 284 thousand, mainly due to:
 - an increase in the balance of valuation of construction contracts by PLN 355 229 thousand, representing the difference between revenues invoiced to investors and revenues recognised in the profit and loss account,
 - an increase in the provision for construction contract losses by PLN 68 643 thousand,
 - a decrease in the balance of deferred revenue by PLN 191 229 thousand, mainly due to the accounting for received prepayments for performance of contracts,
 - a decrease in the balance of trade and other payables by PLN 138 129 thousand, as a result of faster payment of liabilities to the Company's counterparties,
 - a decrease in the balance of current tax liabilities by PLN 44 613 thousand.
- an increase the balance in non-current liabilities by PLN 169 418 thousand, mainly due to:
 - an increase in the balance of provisions for non-current liabilities and other charges by PLN 153 842 thousand, mainly due to an increase in provisions for warranty repairs,
 - an increase in the balance of retentions for construction contracts by PLN 10 814 thousand.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Profit and Loss Account of Budimex SA

PROFIT AND LOSS ACCOUNT	01.01- 31.12.2020	01.01- 31.12.2019	Change	Change %
Net sales of finished goods and services, goods for resale and raw materials	7 276 482	6 939 810	336 672	4.85%
Cost of finished goods, services, goods for resale and raw materials sold	(6 699 321)	(6 546 544)	(152 777)	2.33%
Gross profit on sales	577 161	393 266	183 895	46.76%
Selling expenses	(11 628)	(10 688)	(940)	8.79%
Administrative expenses	(224 026)	(167 660)	(56 366)	33.62%
Other operating income	117 729	71 075	46 654	65.64%
Other operating expenses	(105 269)	(95 619)	(9 650)	10.09%
Operating profit	353 967	190 374	163 593	85.93%
Finance income	89 355	155 739	(66 384)	(42.63%)
Finance costs	(37 480)	(36 579)	(901)	2.46%
Gross profit	405 842	309 534	96 308	31.11%
Income tax	(95 301)	(76 811)	(18 490)	24.07%
Net profit for the period	310 541	232 723	77 818	33.44%

Within the twelve-month period of 2020, Budimex SA generated revenues from sales in the amount of PLN 7 276 482 thousand, while in 2019 they amounted to PLN 6 939 810, i.e. a 4.85 per cent increase.

Gross profit on sales in 2020 was PLN 577 161 thousand, while in the previous year it was PLN 393 266 thousand. The gross sales profitability ratio for 2020 was therefore 7.9 per cent and was higher than in 2019, when it reached 5.7 per cent.

Pursuant to the adopted accounting principles, the Company creates provision for contract losses if the budgeted costs exceed the total revenues under the agreement. In the subsequent periods, a part of the earlier created provision is reversed in proportion to the percentage of contract completion, after taking into account the total negative margin on the entire contract. As at 31 December 2019, the balance of the provision for contract losses amounted to PLN 241 789 thousand. In the twelve-month period ended 31 December 2020, the balance of the provision for contract losses increased by PLN 68 643 thousand.

The selling expenses in 2020 increased by PLN 940 thousand in comparison to the previous year, while the general administrative expenses grew by PLN 56 366 thousand. The share ratio of those expenses in the total sales amounted to 3.2 per cent in 2020 and 2.6 per cent in 2019.

Other operating income in the twelve-month period of 2020 amounted to PLN 117 729 thousand and other operating expenses – to PLN 105 269 thousand. Detailed analytics of other operating income and expenses are presented in note 32 to the financial statements.

In the 12-month period of 2020, the Company reported profit on financing activities of PLN 51 875 thousand. Detailed analytics of finance income and costs are presented in note 33 to the financial statements.

In 2020, the Company earned a gross profit of PLN 405 842 thousand, which means an increase by 31.11 per cent over the previous year.

Income tax for the 12 months of 2020 amounted to PLN 95 301 thousand, including:

- current tax – PLN 209 842 thousand (including prior years' corrections of PLN 7 391 thousand),
- deferred tax – PLN (114 541) thousand.

In 2020, Budimex SA earned a net profit in the amount of PLN 310 541 thousand, which represents an increase by 33.44 per cent over 2019.

3.2 Statement of Cash Flows**3.2.1 Consolidated Statement of Cash Flows of the Budimex Group**

"Cash and cash equivalents" included in the Statement of Cash Flows comprise cash in hand, demand deposits, and bank deposits which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Included in cash of restricted use are mainly cash items representing:

- security for bank guarantees,
- gathered at open housing escrow accounts,
- funds on split payment accounts,
- cash in escrow accounts and current accounts in the part due to partners performing construction contracts together with a company from the Group.

The Budimex Group entered 2020 with cash in hand and cash at bank amounting to a total of PLN 1 515 977 thousand. For the purpose of the Statement of Cash Flows, this amount was reduced by the amount of restricted cash of PLN 175 762 thousand. Net cash flow for 2020 was positive and amounted to PLN 740 277 thousand. As at 31 December 2020, the Group's reported cash balance was PLN 2 384 398 thousand, of which restricted cash was PLN 302 900 thousand.

In 2020, the balance of cash from operating activities increased by PLN 887 512 thousand, mainly due to decreased financial involvement of the Group companies (and increased involvement of investors) in projects implemented.

Cash flow from investing activities came out to a positive balance of PLN 96 429 thousand, which was mainly the result of selling bonds issued by Polish banks.

Cash flow from financing activities for 2020 showed a negative balance, which amounted to PLN 243 664 thousand and resulted mainly from the 2019 dividend payment and payment of lease and loan liabilities.

3.2.2 Statement of Cash Flows of Budimex SA

The balance of cash in bank accounts and in hand at the beginning of 2020 amounted to PLN 1 182 654 thousand. For the purposes of drafting the statement of cash flows, this amount was adjusted with the value of restricted cash (in the amount of PLN 14 423 thousand), comprising mainly cash accumulated in split payment accounts and in accounts of consortia in the portion attributable to other consortium members. In the 12 months of 2020, net cash flow was positive and amounted to PLN 474 973 thousand. As at 31 December 2020, the Company reported a cash balance of PLN 1 648 390 thousand, including restricted cash in the amount of PLN 4 180 thousand.

In 2020, the balance of cash from operating activities increased by PLN 499 312 thousand.

The balance of cash from investing activities increased by PLN 159 338 thousand which was mostly attributable to the sale of bonds issued by Polish banks.

Cash flow from financing activities for 2020 showed a negative balance of PLN 183 677 thousand. The expenses were connected with payment of the dividend made by the Company in the amount of PLN 116 417 thousand and repayment of lease liabilities.

3.3 Managing of finance

3.3.1 Managing of finance at the Budimex Group

The balance of cash and liquid deposits of the Budimex Group as at 31 December 2020 amounted to PLN 2 384 398 thousand and was PLN 868 421 thousand higher than as at 31 December 2019. The most important factors contributing to this change in financial resources of the Budimex Group during 2020 include the following events:

- increased profitability of Budimex SA's construction activities,
- a traditional seasonal decrease in financial involvement in the implementation of large infrastructure contracts in the last months of the year,
- dividend paid by Budimex SA in a lower amount than in recent years (half of the net profit for 2019),
- lower than planned expenditure on land purchases in the development segment, with simultaneous non-recurring proceeds from the sale of two pieces of land and proceeds from the final settlements of several development projects,
- an increase in the cash balance in the FBŚerwis Group companies as a result of an increase in the scale of the Group companies' operations and an increase in the profitability of their activities, particularly in the segment of waste collection and management and infrastructure maintenance and upgrading.

In accordance with the Group's policy, cash surpluses were placed as bank deposits, in banks with high credit ratings. In addition, Budimex SA used cash surpluses to finance its suppliers of services and raw materials. This had a positive effect on the financial liquidity of these suppliers, and was important for them during the COVID-19 pandemic.

At the same time, the Budimex Group entities reported an external debt in respect of bank loans and borrowings and other external sources of finance, including lease liabilities, which as at 31 December 2020 amounted to PLN 450 730 thousand, including lease liabilities recognised in accordance with IFRS 16, amounting to PLN 196 238 thousand. The amount of the Group's external debt on account of bank loans, borrowings and leases understood in accordance with IAS 17, i.e. without lease liabilities, reported in accordance with IFRS 16, was PLN 254 492 thousand and was therefore PLN 20 012 thousand lower than as at 31 December 2019 and PLN 15 559 thousand higher than as at 31 December 2018 (see table below). The Group's financial debt is composed of:² the debt of Budimex SA, Budimex Kolejnictwo SA, Mostostal Kraków SA, Budimex Nieruchomości Sp. z o.o. and the FBŚerwis Group companies under lease agreements (concluded to finance the acquisition of property, plant and equipment), debt of Budimex Parking Wrocław Sp. z o.o. on account of a loan for financing a concession project and a subordinated borrowing granted by a shareholder, debt of FBŚerwis Wrocław Sp. z o.o. on account of an overdraft, debt of FBŚerwis Kamieński Sp. z o.o. and FBŚerwis Wrocław Sp. z o.o. on account of borrowings granted by NFOŚiGW to finance investments related to waste management. As at the end of 2020, the Group had no debt under bonds issued.

² items that do not include amounts of lease liabilities reported in accordance with IFRS 16

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Liabilities due to bank loans and borrowings and other external sources of finance:	31.12.2020	31.12.2019	31.12.2018
- non-current	184 902	209 725	184 110
- non-current (lease liabilities – IFRS 16):	76 761	65 533	-
- current	69 590	64 779	54 823
- current (lease liabilities – IFRS 16):	119 477	112 329	-
Total	450 730	450 366	238 933

The following ratios illustrate the structure of finance at the Budimex Group:

Ratio	31.12.2020	31.12.2019	31.12.2018
Equity to assets ratio:			
<i>(shareholders' equity attributable to the shareholders of the Parent Company) / (total assets)</i>	0.15	0.12	0.14
Equity to non-current assets ratio:			
<i>(shareholders' equity attributable to the shareholders of the Parent Company) / (total non-current assets)</i>	0.75	0.56	0.75

Ratio	31.12.2020	31.12.2019	31.12.2018
Debt ratio:			
<i>(total assets – shareholders' equity attributable to the shareholders of the Parent Company) / (total assets)</i>	0.85	0.88	0.86
Debt to equity ratio:			
<i>(total assets – shareholders' equity attributable to the shareholders of the Parent Company) / (shareholders' equity attributable to the shareholders of the Parent Company)</i>	5.49	7.26	6.34

At the end of 2020, ratios showing the sustainability of the capital structure improved, i.e. there was an increase in the asset to equity ratio and, at the same time, a decrease in total debt and debt to equity ratio. The decrease in these ratios was most significantly driven by the increase in equity as a result of increased profitability of operations and a lower amount of dividends paid by Budimex SA compared to previous years (half of the net profit for 2019).

The liquidity ratios (current and quick ratios) at the end of 2020 were higher than in previous years. The increase in liquidity ratios was driven by a significant increase in cash balances with a relatively lower change in current liabilities relative to the corresponding periods in the past.

Ratio	31.12.2020	31.12.2019	31.12.2018
Current ratio			
<i>(current assets) / (current liabilities)</i>	1.15	1.09	1.14
Quick ratio			
<i>(current assets – inventory) / (current liabilities)</i>	0.76	0.67	0.73

Owing to the current good financial standing of the Budimex Group, the cash resources held, access to credit limits at banks as well as the insignificant level and favourable structure of financial debt, there are no threats to the Group's ability to finance its business activities in 2021.

3.3.2 Managing of finance at Budimex SA

The balance of cash and liquid deposits of Budimex SA as at 31 December 2020 amounted to PLN 1 648 390 thousand and was PLN 465 736 thousand higher than as at 31 December 2019. The most important factors contributing to this change in financial resources of Budimex SA during 2020 include the following events:

- increased profitability of construction activities,
- a traditional seasonal decrease in the Company's financial involvement in the implementation of large infrastructure contracts in the last months of the year,
- dividend paid by Budimex SA in a lower amount than in recent years (half of the net profit for 2019).

At the same time, the Company reported an external debt in respect of bank loans and borrowings and other external sources of finance, including lease liabilities, which as at 31 December 2020 amounted to PLN 170 457 thousand, including lease liabilities recognised in accordance with IFRS 16, amounting to PLN 70 166 thousand.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

The amount of Budimex SA's external debt on account of bank loans, borrowings and leases understood in accordance with IAS 17, i.e. without lease liabilities, reported in accordance with IFRS 16, was PLN 100 291 thousand and was therefore PLN 1 554 thousand higher than as at 31 December 2019 and PLN 29 962 thousand lower than as at 31 December 2018 (see table below). The amount of financial debt of Budimex SA comprises only liabilities under lease agreements in respect of machines and equipment required to carry out road construction projects.³ As at the end of 2020, the Company had no debt under bonds issued.

Liabilities due to bank loans and borrowings and other external sources of finance:	31.12.2020	31.12.2019	31.12.2018
- non-current	62 855	65 118	88 171
- non-current (lease liabilities – IFRS 16):	45 336	41 093	-
- current	37 436	33 619	42 082
- current (lease liabilities – IFRS 16):	24 830	20 634	-
Total	170 457	160 464	130 253

The following ratios illustrate the structure of finance at Budimex SA:

Ratio	31.12.2020	31.12.2019	31.12.2018
Equity to assets ratio: (shareholders' equity) / (total assets)	0.16	0.14	0.14
Equity to non-current assets ratio: (shareholders' equity) / (non-current assets)	0.45	0.38	0.42
Debt ratio: (total assets – shareholders' equity) / (total assets)	0.84	0.86	0.86
Debt to equity ratio: (total assets – shareholders' equity) / (shareholders' equity)	5.22	6.36	6.22

At the end of 2020, the sustainability of the financing structure, as described above, improved as compared to prior years. Equity to non-current assets ratio improved and debt to equity ratio decreased. Positive changes in these ratios were driven primarily by an increase in the share of equity in total assets due to the increased profitability of the business and a lower amount of dividends paid out than in previous years (half of the net profit for 2019). There was also an improvement in the liquidity ratios, as they came to higher figures at the end of 2020 compared to previous years (table below).

Ratio	31.12.2020	31.12.2019	31.12.2018
Current ratio (current assets) / (current liabilities)	0.95	0.88	0.92
Quick ratio (current assets – inventory) / (current liabilities)	0.83	0.75	0.82

The Company's situation with respect to liquidity and access to external sources of finance is currently good and there are no risks to the financing of the Company's activities in 2021.

On 20 January 2021, the Company executed annexes to the loan agreements listed in the table below, pursuant to which: the term of the agreements was extended until May 2024 (agreements concluded with Credit Agricole Bank Polska SA, ING Bank Śląski SA, Bank PEKAO SA and Societe Generale SA Branch in Poland), the amount of the loan granted by ING Bank Śląski SA was increased from PLN 50 000 thousand to PLN 60 000 thousand and the term of the loan signed with Santander Bank Polska SA was shortened to 20 January 2021. At the same time, the Company signed a new loan agreement with CaixaBank SA Branch in Poland in the amount of PLN 100 000 thousand and with a term until 31 May 2024. The loan agreements executed provide additional security for the Company's liquidity.

3.4 Contingent liabilities and contingent receivables of the Budimex Group

Guarantees, sureties, and other contingent liabilities and receivables are described in note 44 to the consolidated financial statements of the Budimex Group and in note 45 to the financial statements of Budimex SA.

The table below shows loan guarantees and sureties issued by Budimex SA or its subsidiaries as at 31 December 2020:

³ items that do not include amounts of lease liabilities reported in accordance with IFRS 16

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Company granting the surety or guarantee	Entity to which sureties or guarantees were granted	Total amount of sureties or guarantees granted	Maximum period for which sureties or guarantees were granted	Financial terms on which sureties or guarantees were granted	The nature of the relationship existing between Budimex SA and the entity that received the surety or guarantee
Budimex SA	Mostostal Kraków SA	98 130	2027-06-28	in exchange for payments	Subsidiary
Budimex SA	Mostostal Kraków Energetyka Sp. z o.o.	141	2023-11-21	in exchange for payments	Subsidiary
Budimex SA	Budimex Kolejnictwo SA	74 264	2029-11-30	in exchange for payments	Subsidiary
Budimex SA	Budimex Bau GmbH	47	2021-12-31	free of charge	Subsidiary
Budimex SA	Budimex Budownictwo Sp. z o.o.	279 554*	2029-10-15	free of charge	Subsidiary
Budimex SA	Budimex Nieruchomości Sp. z o.o.	6	2023-03-18	in exchange for payments	Subsidiary
Budimex SA	FBSerwis SA	31 887	2030-07-12	in exchange for payments	Subsidiary
TOTAL		484 029			

* the surety was granted in relation to contracts executed by Budimex SA

3.5 Differences between forecast and actual financial results of the Budimex Group

The Budimex Group did not publish any financial forecasts for 2020.

3.6 Utilisation of proceeds from issues of securities

In the period covered by the report, no securities were issued either within or outside the Budimex Group.

4 SIGNIFICANT AGREEMENTS

4.1 Insurance agreements for the Budimex Group companies

In 2020, the Budimex Group (including Budimex SA) was a party to the following General Insurance Agreements:

- General Insurance Coverage for All Construction & Assembly Risks

The leading co-insurer for this agreement is Axa Ubezpieczenia TUiR SA with its registered office in Warsaw (40 per cent share) and the other co-insurers are STU Ergo Hestia SA with its registered office in Sopot (30 per cent share) and Generali TU SA with its registered office in Warsaw (30 per cent share).

Subject to the insurance coverage are all construction and assembly contracts executed by Budimex SA with a value not exceeding PLN 500 million, which are reported to the Leading Co-Insurer within 30 days of the entry of the first contractor on the construction site.

This agreement was concluded for the period from 5 July 2020 to 4 July 2022.

- General Third Party Liability (TPL) Agreement

Axa TUiR SA is the insurer. Subject to the insurance coverage is the out-of-contract third party liability in tort of the Insured in respect of assets used to conduct business activities with insurance coverage and construction services rendered against life and non-life (material) losses caused to third parties. The sum insured was set at PLN 100 million for one and all events in each of the insurance settlement periods. This agreement provides for the extension of the basic insurance coverage together with sub-limits of the sum insured.

This agreement was concluded for the period from 5 July 2020 to 4 July 2022.

- General All-Risk Insurance Coverage for Construction Machines

This insurance agreement was concluded for a fixed period of time, i.e. from 15 November 2020 to 14 November 2021. Wiener TU SA is the insurer. Subject to insurance coverage are construction machines and equipment which are owned by Budimex SA and which are subject to lease agreements. The insurance coverage comprises all risks of physical loss or damage

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

of assets, except for damage resulting from losses incurred during or in connection with the transport, loading, unloading, assembly or disassembly of the machine.

- Other significant insurance agreements

In 2020, an extension was signed to the agreement with Allianz Polska concerning TPL insurance for Management and Supervisory Board Members of the Budimex Group companies. This extension of insurance coverage covers the period from 22 July 2020 to 22 July 2021. The insurance coverage covers Members of Management and Supervisory Boards and authorised commercial representatives of the Budimex Group companies and of their subsidiaries. This insurance constitutes a part of the global insurance programme for the Ferrovial Group.

4.2 Cooperation agreements binding in 2020

Cooperation agreements concluded in 2020:

	Supplier	Subject of the Agreement	Annual value	Agreement date
1	Lotos Asfalt Sp. z o.o.	road asphalts	30 450	2020-04-01
2	Confirme Sp. z o.o.	reinforced steel	7 889	2020-01-15
3	IMPOSTAL Sp. z o.o.	steel pipes	7 232	2020-07-16
4	EURO-TED Sp. z o.o.	prefabricated reinforced steel	6 895	2020-01-15
5	Plastimex Sp. z o.o.	plastic piping systems	3 084	2020-04-29
6	PGE Obrót SA	electricity	2 620	2020-02-27
7	CIECH Cargo Sp. z o.o.	transport services	2 204	2020-10-09
8	Sienkiewicz MAT-BUD Sp. z o.o.	concrete sewage systems	2 151	2020-11-02
9	Bomis SA	prefabricated reinforced steel	1 368	2020-01-15
10	Michl Polska Sp. z o.o.	forwarding services	648	2020-03-06

The agreements listed above are framework cooperation agreements with no exclusivity clauses and present no obligation for the Budimex Group and Budimex SA.

Cooperation agreements concluded before 2020 and effective in 2020:

	Supplier	Subject of the Agreement	Annual value	Agreement date
1	Cemex Polska Sp. z o.o.	ready-mixed concrete, aggregates, cement	74 090	2011-12-06 2009-04-01 2006-11-23
2	Orlen Asfalt Sp. z o.o.	road asphalts	39 939	2018-03-26 2016-01-19
3	Lafarge Cement SA	ready-mixed concrete	35 609	2016-04-15
4	Moris Sp. z o.o.	rails	35 418	2019-01-22 2017-03-27
5	Konsorcjum Stali SA	prefabricated reinforced steel	33 759	2012-03-01
6	Stalprodukt SA	road barriers	33 415	2010-03-01 2007-06-18
7	Viacon Polska Sp. z o.o.	pipes and structural components	31 554	2013-02-15
8	Lotos Asfalt Sp. z o.o.	road asphalts	30 450	2019-05-13 2019-04-01 2018-01-25
9	Górażdże Beton Sp. z o.o.	ready-mixed concrete	28 296	2013-03-12
10	Thyssenkrupp Materials Poland SA	reinforced steel	26 387	2013-02-04

The agreements listed above are framework cooperation agreements with no exclusivity clauses and present no obligation for the Budimex Group and Budimex SA.

4.3 Related party transactions

Detailed information on transactions with related parties was presented in note 39 to the consolidated financial statements of the Budimex Group and in note 38 to the financial statements of Budimex SA.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

4.4 Loans and borrowings

As at 31 December 2020, Budimex SA had the following loans, borrowings and lease agreements:

Lender	Title of liability	Contract date the loan/borrowing agreement	Amount available	Liability incl. interest	Interest rate	Maturity date
Credit Agricole Bank Polska SA	Revolving working capital loan	13.05.2015	70 000	-	WIBOR 1M or 3M + margin	31.05.2021
ING Bank Śląski SA	Overdraft facility	15.05.2015	50 000	-	WIBOR 1M + margin	31.05.2021
Santander Bank Polska SA	Revolving loan	13.05.2015	110 000	-	WIBOR 1M or 3M or 6M + margin	31.05.2021
Bank PEKAO SA	Revolving working capital loan	14.05.2015	100 000	-	WIBOR 1M + margin	14.05.2021
Societe Generale SA Branch in Poland	Medium-term revolving loan	14.05.2015	70 000	-	WIBOR 1M + margin	31.05.2021
Millennium Leasing Sp. z o.o.	Leases (15 agreements in total)	-	-	2 181	WIBOR 1M + margin	31.01.2022
Konica Minolta Business Solutions Sp. z o.o.	Lease	16.02.2012	-	1 193	fixed, as provided in the agreement	monthly
Pekao Leasing Sp. z o.o.	Leases (196 agreements in total)	-	-	96 917	WIBOR 1M + margin	31.10.2025

As at 31 December 2020, other companies of the Budimex Group were parties to the following loan agreements and lease agreements:

Lender	Title of liability	Contract date the loan agreement	Amount available acc. to the agreement	Liability, incl. interest	Interest rate	Maturity date
Budimex Nieruchomości Sp. z o.o.						
Konica Minolta Business Solutions Sp. z o.o.	Lease	16.02.2012	-	262	fixed, as provided in the agreement	monthly
Santander Bank Polska SA	amortised revolving loan	02.10.2019	120 000	-	WIBOR 3M + margin	20.09.2023
Bank PKO BP SA	revolving investors' loan	28.06.2019	120 000	-	WIBOR 3M + margin	28.06.2023
Mostostal Kraków SA						
Konica Minolta Business Solutions Sp. z o.o.	Lease	30.09.2015	-	122	fixed, as provided in the agreement	monthly
Millennium Leasing Sp. z o.o.	Lease	-	-	4 548	WIBOR 1M + margin	31.01.2023
Budimex Parking Wrocław Sp. z o.o.						
Bank PKO BP SA	Concession financing loan	30.04.2012	-	27 547	WIBOR 3M + margin	31.12.2031
Fundusz Inwestycji Samorządowych Fundusz	loan	29.10.2018	-	1 686	WIBOR 3M + margin	29.10.2038

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Lender	Title of liability	Contract date the loan agreement	Amount available acc. to the agreement	Liability, incl. interest	Interest rate	Maturity date
Inwestycyjny Zamknięty Aktywów Niepublicznych						
Konica Minolta Business Solutions Sp. z o.o.	Lease	30.09.2014	-	4	fixed, as provided in the agreement	monthly
Budimex Kolejnictwo SA						
Pekao Leasing Sp. z o.o.	Leases (2 agreements in total)	-	-	3 793	WIBOR 1M + margin	31.07.2025
Millennium Leasing Sp. z o.o.	Leases (24 agreements in total)	-	-	70 471	WIBOR 1M + margin	31.10.2028
Konica Minolta Business Solutions Sp. z o.o.	Lease	-	-	5	fixed, as provided in the agreement	monthly
FBSEWIS KAMIEŃSK SP. Z O.O.						
NFOSIGW	Co-financing in the form of a loan	-	-	16 125	fixed, as provided in the agreement	31.03.2026
FBSEWIS SA						
Societe Generale SA Branch in Poland	Overdraft facility	-	20 000	-	WIBOR 1M + margin	30.09.2021
Santander Leasing SA	Leases (75 agreements in total)	-	-	7 221	WIBOR 1M + margin	30.11.2025
FBSEWIS WROCŁAW SP. O.O.						
NFOSIGW	Co-financing in the form of a loan	-	-	2 150	fixed, as provided in the agreement	31.03.2026
Santander Leasing SA	Leases (32 agreements in total)	-	-	9 800	WIBOR 1M + margin	30.09.2025
Santander Bank Polska SA	Overdraft facility	-	8 000	3 895	WIBOR 1M + margin	31.01.2021
Mbank SA	Leases (2 agreements in total)	-	-	345	fixed, as provided in the agreement	28.02.2023
Caterpillar Financial Services Poland Sp. z o.o.	Leases (1 agreement)	-	-	298	fixed, as provided in the agreement	28.02.2021
Europejski Fundusz Leasingowy SA	Leases (3 agreements in total)	-	-	250	fixed, as provided in the agreement	31.10.2021
Pekao Leasing Sp. z o.o.	Leases (2 agreements in total)	-	-	316	WIBOR 1M + margin	31.08.2025
FBSEWIS KARPATIA SP. Z O.O.						
Santander Leasing SA	Leases (21 agreements in total)	-	-	4 983	WIBOR 1M + margin	30.11.2025

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Lender	Title of liability	Contract date the loan agreement	Amount available acc. to the agreement	Liability, incl. interest	Interest rate	Maturity date
Europejski Fundusz Leasingowy SA	Leases (2 agreements in total)	-	-	380	fixed, as provided in the agreement	30.04.2023

4.5 Major capital deposits and equity investments in 2020

In 2020, neither the Parent Company nor other Group companies made any equity investments in entities not belonging to the Budimex Group. For a description of equity investments within the Budimex Group, see Note 2.1.

4.6 Information about borrowings granted during the accounting year, including in particular borrowings granted to related parties

Details concerning the loans granted are disclosed in note 14.1 to the consolidated statements of the Budimex Group and in note 15.2 to the financial statements of Budimex SA.

5 OTHER INFORMATION

5.1 Information about the shareholding in the Parent Company and related parties held by Members of the Management and Supervisory Boards of the Parent Company

As at 31 December 2020, Members of the Management Board of Budimex SA held the following numbers of shares:

- Marcin Węglowski – 2 830 shares

As at 31 December 2020, the Members of the Supervisory Board of Budimex SA held the following numbers of shares:

- Marek Michałowski – 4 000 shares

5.2 Acquisition of own shares

In 2020, Budimex SA did not acquire its own shares.

5.3 System of control over employee share incentive schemes

The Company did not operate an employee share incentive scheme.

5.4 Information about agreements acknowledged by the Company (including post-balance sheet date agreements) with a possible future effect on the current ownership structure

As at the date of publication of this report, Budimex SA is not aware of any agreements that may result in future changes in the ownership structure of the current shareholders.

5.5 Entity authorised to audit financial statements

On 15 May 2019, the Supervisory Board of Budimex SA resolved to appoint Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością Sp. k. to review the Company's semi-annual financial statements and consolidated financial statements of the Budimex Group for a 6-month period of 2019, 2020 and 2021, and to audit the financial statements of Budimex SA and consolidated financial statements of the Budimex Group for the financial years 2019-2021.

The contract for the review and audit of financial statements for 2020 was concluded on 1 July 2019. The remuneration for the audit of separate and consolidated financial statements amounted to PLN 374 thousand (including remuneration for the audit of the reporting package for the Ferrovia Group); the remuneration for the review of the semi-annual separate and consolidated financial statements amounted to PLN 120 thousand (including remuneration for the review of the semi-annual reporting package for the Ferrovia Group). The Audit Committee issued a written agreement to the provision of review and audit services concerning the reporting packages for the Ferrovia Group.

In 2019 and 2020, the audit firm did not provide any other services to the Group companies.

5.6 Information about charity and sponsorship activities

For many years, Budimex SA has implemented projects designed to support its sustainable development. In 2011, the Management Board of Budimex SA adopted the "CSR Policy", under which short-term goals for the entire Company are determined. Their implementation is supervised by the CSR Committee whose meetings are held four times a year. In 2016, the "CSR Strategy" was implemented, establishing goals for the Company for the years 2016-2020.

Since 2011, Budimex SA has been listed in the RESPECT Index – the first index of socially responsible companies in Central and Eastern Europe and since September 2019 – it has been included in the WIG-ESG Index that replaced the RESPECT Index.

Despite the pandemic, in 2020 Budimex SA continued to develop its own social programmes, i.e. “Strefa Rodzica. Budimex Dzieciom” [Parent Zone. Budimex for Children] and initiated the “Hello ICE. Budimex Dzieciom” [Hello ICE. Budimex for Children]. As part of the latter, 4 3D lanes were piloted in 2020. In addition, since 2015, the Company has been running an internal employee volunteer programme “Grant na Wolontariat” [Grant for Volunteering]. A new social campaign carried out by Budimex in 2020 was also the “Budimex dla natury” [Budimex for nature] project, as part of which volunteers from the company hung over 30 nesting boxes for birds.

The objective of the “Hello ICE. Budimex dzieciom” programme is to increase the knowledge of the youngest pupils of primary schools (grades 1-3) and preschoolers in the field of road safety. The key elements of the campaign are: an interactive map where everyone can mark a dangerous place on the children's route to school or kindergarten and educational materials for teachers as well as games and plays for children and parents. In addition, schoolchildren are provided with plastic cards with contact details of their next of kin to be contacted in the event of an emergency. The Hello ICE programme has received honorary patronage of the Minister of Infrastructure and the Minister of National Education, as well as a positive opinion of the Good Education Association. Additionally, the campaign has a broader educational dimension as it promotes the principles of road safety and first aid among young people. By the end of 2020, more than 450 dangerous spots had been reported.

“Parent Zone. Budimex for Children” is a programme implemented at the end of 2012. The programme involves the creation of separate zones in hospital paediatric wards where hospitalised children can spend time together with their parents, and parents have the ability to prepare a meal, take a shower or sleep. Thus far, Budimex SA has launched 34 Parent Zones in paediatric units of hospitals in Poland. All 34 Zones were used by as much as 700 thousand children and their parents. In 2020, 2 Parent Zones were launched (in Wejherowo and Piotrków Trybunalski).

In 2015, the Company launched a programme called “Grant na Wolontariat” [Grant for Volunteering] under which Budimex employees can propose their own volunteering initiatives. Employee volunteering projects can be proposed throughout the year. They are discussed during quarterly meetings of the CSR Committee which makes decisions on awarding the grants. In 2020, volunteers from the company implemented 6 projects in the standard edition. During the pandemic, a special edition was also implemented under the slogan “Grant for volunteering in the fight against COVID-19”, under which volunteers from Budimex completed 8 projects.

In 2020, volunteers installed 30 birdhouses in Lublin and Sanok as part of the new “Budimex for Nature” project. The campaign was carried out in cooperation with the Siemacha Association. Environmental protection is one of the environmentally friendly measures that Budimex implements as part of its CSR strategy.

A large social campaign carried out by the company in 2020 was the “Home from the Heart” initiative, as part of which Budimex joined forces with other companies to build, equip and hand over a house to the sixteen-member needy family of Ms Magda from Radomsko. The new home will be a living space where the children will have the proper conditions to learn and develop their talents. This project - a gesture of the heart - aims to help a family in a difficult situation. At the same time it draws attention to the situation of multi-children families in Poland and encourages other companies to initiate similar aid activities aimed at this group of needy people.

During the pandemic, Budimex was involved in a number of other campaigns to help fight the virus. The company joined the initiative “Jesteśmy razem. Pomagamy!” [We are together. We help!] and provided support to hospitals, the Social Assistance Centres and other social organisations by donating a total of nearly PLN 3 million. In addition, Budimex joined the “Nie zalniamy!” [We are not laying off anyone!] campaign.

In addition to the aforementioned social programmes, Budimex carries out charitable or sponsorship activities, focusing primarily on helping children and cooperating with non-governmental organisations. In 2020, we continued to implement social, cultural and educational initiatives, including those aimed at promoting physical culture and sport, by supporting the following initiatives:

- the “Odkrywczy Diamentów” [Diamond Explorers] scholarship programme providing financial support to talented and successful groups of young people to enable them to participate in prestigious international and national scientific and technical contests, in particular in such fields as: technology, engineering, structure, industrial design, maths and management,
- for another year in a row, Budimex also supports the Demos Foundation that helps young people facing difficulties in their lives. The Foundation establishes premises for educational, therapeutic and sporting activities. It holds workshops for youth leaders and scholarship programs. It also develops publishing activities focused on social, educational and cultural issues. Budimex also purchased 5,000 gifts for children from upbringing centres in Łódź. The company has also supported the SOS Children's Villages initiative in the Świętokrzyskie province,
- support for volunteer fire brigades in the regions of Mazury, Podkarpacie and Łódź,
- support for the organisation of events and sports teams: the Polish Sailing Championships for the Disabled, “Stomil Olsztyn” Football Club, the Wybrzeże Gdańsk handball team.

In 2020, social and sports organisations received a total of PLN 2 060 thousand of support from the Budimex Group in the form of donations.

5.7 Legal proceedings

The total value of legal proceedings pending in respect of liabilities and receivables as at 31 December 2020 was PLN 696 879 thousand. Excess of the value of proceedings against Group companies over proceedings relating to claims of the Group companies amounted to PLN 20 683 thousand.

On the basis of the information held by Budimex SA, the total value of legal proceedings pending in respect of liabilities of Budimex SA and subsidiaries as at 31 December 2020 was PLN 358 781 thousand. The proceedings pending in respect of Budimex SA and subsidiaries relate to the operating activities of the Group companies.

The largest item in terms of the value of the dispute was the lawsuit against Budimex SA and Ferrovial Agroman SA in Madrid, members of the consortium related to implementation of the contract "Construction of the new premises for the Silesian Museum in Katowice" concluded on 7 June 2011, filed on 24 July 2017 by the claimant – the Silesian Museum in Katowice.

The Claimant requests that the Defendants are either condemned in solidum to pay the amount of PLN 122 758 thousand plus statutory interest from the date the lawsuit was filed for improper performance of the obligation under the Contract, either alternatively the court adjudges the claim for decreasing the price by PLN 34 675 thousand as the reimbursement of part of the remuneration, which was wrongly paid in Claimant's opinion. Article 471 of the Civil Code was specified as the grounds for pursuing the main claim, and the provisions on statutory warranty were specified for the alternative claim.

In the opinion of the Management Board of Budimex SA the claims in the lawsuit are groundless. The irregularities, which in the Claimant's opinion constitute actual grounds of the claims, provided that these do exist, do not result from actions or omissions of the consortium. Moreover, proper performance of the building by the consortium was confirmed by the Claimant issuing the Work Acceptance Certificate and Implementation Certificate for the Silesian Museum building in Katowice. The Management Board assesses that the provisions for warranty repairs recognised beforehand fully cover the risks related to contract implementation. Budimex SA filed its response to the claim on 31 October 2017 and supplemented it in January 2018. The court successfully delivered a copy of the claim to Ferrovial Agroman SA on 21 September 2018. Ferrovial Agroman SA filed a reply to the statement of claim on 22 October 2018. The first hearing took place on 11 March 2019, during which the court obliged the parties to pay an advance towards the remuneration of the research institute which will prepare an opinion on the case. As at the date of the report, the date of the next hearing is not known.

Another significant case concerns a request for arbitration submitted by Steinmüller Babcock Environment GmbH ("Steinmüller") to the Secretariat of the International Court of Arbitration at the International Chamber of Commerce in Paris on 20 December 2019. The application is based on the allegations of breach by Budimex SA of the consortium agreement concluded between Budimex SA and Steinmüller in connection with the joint performance of construction works regarding the public procurement under the name "Construction of a new heat and power plant in Vilnius - Lot 1" for JSC "Vilniaus kogeneracine jėgainė" with its seat in Vilnius (Lithuania) and includes a request that the adjudicating panel establish intra-consortium liability of Budimex SA towards the claimant for any damage or claims that arose (or may arise) as a result of alleged delayed or improper performance by Budimex SA of its scope of work for which the consortium may be liable. For the purposes of the arbitration proceedings, Steinmüller determined the value of its claims at EUR 25 million, i.e. PLN 105 875 thousand.

In the opinion of the Management Board of Budimex SA, the claims covered by the Request for Arbitration are groundless and, above all, premature. The consortium submitted a number of claims to the contract engineer for an extension of the time for completion of the works, for reasons both beyond the control of the parties to the contract and dependent solely on the contracting authority.

In response, on 28 February 2020 Budimex SA submitted a response to the request for arbitration along with counterclaims against Steinmüller. Budimex SA demands that the adjudicating panel dismisses Steinmüller's claims entirely as unfounded, and also presented counterclaims against Steinmüller, in particular for a recognition that the delays in the performance of the construction works are due to reasons attributable to Steinmüller. The estimated value of mutual claims of Budimex SA against Steinmüller was determined at EUR 26 537 thousand, i.e. PLN 114 904 thousand.

On 27 May 2020 the parties and the adjudicating panel signed the act of mission. According to the agreed procedure schedule, Steinmüller filed a Statement of Claim on 18 December 2020. At the joint request of the parties, on 19 February 2021 the adjudicating panel agreed to modify the procedure schedule by postponing the dates of the various activities by approximately 6 months. As a result of this modification, Budimex SA should file a Statement of Defence and Counterclaim by 29 October 2021 and the hearing should take place between February and April 2023.

Another legal proceedings with a material value relate to the claim filed on 5 March 2008 by Miejskie Wodociągi i Kanalizacja w Bydgoszczy Sp. z o.o. requesting that the amount of PLN 25 252 thousand be awarded jointly and severally against the consortium to which the Budimex SA and Budimex Dromex SA belonged. The claim relates to the replacement of contractor costs incurred by the investor when the consortium rescinded the contract. The Budimex Group's share in consortium was 90%, therefore the value of the claim for which Budimex SA is liable is PLN 22 727 thousand. On 12 July 2017, the court of the first instance awarded against Budimex SA only the amount of PLN 22 thousand (towards reimbursement of the costs of expert opinions commissioned by the claimant), and dismissed the claim in its entirety. An appeal against the judgment was filed both by the claimant (against the entire judgment) and the defendant (against a part of the judgement – i.e. the amount of PLN 22 thousand). Currently, the parties await setting the date for the hearing before the court of the second instance.

As at the date of this report, the final outcome of the remaining proceedings is not known. For all legal proceedings which – according to the Group – may finish in an unfavourable way, provisions were recognised in the amount that takes into account the risk estimated by the Group.

The total value of legal proceedings pending in respect of claims of Budimex SA and its subsidiaries amounted to PLN 338 098 thousand as at 31 December 2020. The proceedings relate mainly to the recovery of overdue receivables from business partners

and to additional claims in respect of the construction work performed. As at the date of this report, the final outcome of the proceedings is not known.

5.8 Significant achievements in the area of research and development

Innovative projects carried out by Budimex SA are described in section 3.2 of the Budimex Group's Report on non-financial information for 2020.

5.9 Retirement and similar benefit obligations toward former members of the management and supervisory boards

As at 31 December 2020, neither Budimex SA nor companies from the Budimex Group had any retirement and similar benefit obligations toward former members of management and supervisory boards.

6 CORPORATE GOVERNANCE

6.1 Corporate governance policies at Budimex SA and public availability of the underlying document

In 2020, the Company applied the "Best Practices of WSE Listed Companies 2016" adopted by a resolution of the WSE Supervisory Board, No. 26/1413/2015 dated 13 October 2015, within the scope indicated in Report No. 1/2016 of 4 January 2016, sent in the EBI system and published on the Company's website.

On 11 December 2015, under Resolution No. 22, the Company's Management Board adopted the new principles for use as of 1 January 2016, except for guaranteeing shareholders, using electronic means of communication:

- 1) two-way real-time communication during which shareholders can take the floor during the General Meeting of Shareholders while being in a place other than the place of the meeting – Rule No. IV.R.2 item 2) in Chapter IV General Meeting and Shareholder Relations,
- 2) the option to exercise voting rights in person or through an authorised legal representative during the General Meeting, outside the place of the General Meeting – Rule No. IV.R.2 item 3) in Chapter IV General Meeting and Shareholder Relations.

The Company upholds its previously presented position in relation to continued doubts as to the possibility of ensuring a legally safe manner of execution of the General Meeting if shareholders are granted the above-mentioned option, in particular, taking into account the number of shareholders usually participating in the General Meeting of Budimex SA. Therefore, in the opinion of the Company, such a situation still carries technical, and consequently legal, threats to the correct and efficient execution of the General Meeting.

In the above-mentioned resolution, the Management Board also determined that:

- a. in accordance with Rule I.Z.1.15. (diversity policy) in Chapter I. Disclosure Policy and Investor Communications, the Company applies the diversity policy to its governing bodies and key managers and, as a result, it will prepare in one document the principles of this policy, covering in particular such elements as gender, education, age, professional experience, so that it is possible to publish the relevant description on its website,
- b. Rule III.Z.3. in Chapter III. Internal Systems and Functions (the independence of the person managing the internal audit function and other persons responsible for the performance of its tasks in line with generally accepted international standards of the professional internal audit practice), is applied by the Company in such a way that in accordance with the adopted division of competencies between individual bodies of the Company, matters related to employing Office of Internal Control staff, including their remuneration, are in the competencies of the Management Board of the Company, and the Audit Committee of the Supervisory Board monitors the efficiency of internal control systems and internal audit, i.e. the actions of the Office of Internal Control, is informed of the activity plan of the internal audit, and receives reports of these activities or periodic summaries from the Office of Internal Control. Employees of the Office of Internal Control are obliged to perform audits primarily at the request of the Supervisory Board and the Audit Committee of the Supervisory Board,
- c. considering that the Management Board and the Supervisory Board apply previous corporate governance principles regarding a conflict of interest, and the relevant provisions do not occur in internal regulations of the Company regarding the Supervisory Board (Bylaws of the Supervisory Board), on the basis of principle V.Z.6. of DPS 2016 it will be proposed to the Company's Supervisory Board that it supplements the Bylaws of the Supervisory Board with a provision under which a member of the Supervisory Board will inform the Supervisory Board of an existing conflict of interests which has arisen or may arise, and shall refrain from discussing such issue, including refraining from voting.

At the same time, the Management Board applied to the Supervisory Board to adopt the resolution on the application of corporate governance principles concerning the above.

On 16 December 2015, under Resolution No. 240, the Company's Supervisory Board adopted the "Best Practices of WSE Listed Companies 2016" for use as of 1 January 2016, in the scope specified in the aforesaid resolution of the Company's Management Board.

On 14 March 2016, by Resolution No. 242, the Supervisory Board introduced the aforementioned amendments to the Bylaws of the Supervisory Board by adding sec. 12b to the Bylaws. Next, at the request of the Management Board, by Resolution No. 243

of 14 March 2016, the Supervisory Board asked the Ordinary General Meeting to adopt a resolution on observing the "Best Practices of WSE Listed Companies 2016" to the extent specified in the aforementioned resolutions of the Management Board and the Supervisory Board.

In 2016, the Ordinary General Meeting of Shareholders of the Company, by Resolution No. 275 of 26 April 2016, adopted for use the "Best Practices of WSE Listed Companies 2016" as suggested by the Management Board and the Supervisory Board. The document containing corporate governance policies was and is still posted on the Company's website at <http://www.budimex.pl>.

The Diversity policy is published on the Company's website.

At the same time, it needs to be noted that the Company has been providing a broadcast of the General Meeting in real time for several years, and no changes in this respect are planned. In addition, measures were taken in 2020 to reorganise the internal audit function.

6.2 Compliance policy

In September 2017, the Management Board of Budimex SA adopted the Compliance Policy. Adoption of the Policy demonstrates the importance that the Company attaches to conducting its business in compliance with applicable laws, ethical standards and fair play rules. The Compliance Policy adopted aggregated the internal regulations in place at the Company, making them more formal in scope and nature. It was also important to draw the attention of both the Company's external environment and employees/associates to the importance of complying with the applicable laws and with ethical and moral principles in day-to-day business operations. The Compliance Policy contains a catalogue of prohibited activities, although this catalogue is not exhaustive, and indicates the main areas of the Company's business where there may be a risk of violation of the law. It also refers to internal legal acts in force at the Company and aimed at organising and formalising specific processes in order to mitigate the risks indicated above. The day-to-day supervision over the Policy implementation has been entrusted to the Compliance Coordinator, supported by a deputy and the Compliance Committee, consisting of representatives of the most important organisational divisions of the Company. Attention had to be paid also to the fact that the Company introduced a uniform whistleblowing system based on compliance communication channels. At subsequent meetings of the Supervisory Board, the Company's Management Board provides the Supervisory Board with information on current activities carried out in the area of compliance and potential irregularities reported to the Company.

6.3 Diversity policy

Diversity and openness constitute integral parts of both the business activities of the Company and its hiring policy. The Diversity Charter signed on 8 November 2016 is a confirmation of the Company's efforts in this area.

The contents of the Diversity Charter have been published on the Company's intranet, as well as made available to employees in printed form at the Head Office and in branches of Budimex SA. In addition, information on signing the Diversity Charter has been published at www.budimex.pl

As a company with many years of experience, Budimex is aware that employees are the most valuable assets and that it is employees who, for many years, have been contributing to the Company's strong position on the market. Having regard to the creation of a friendly working environment, Budimex puts particular emphasis on the policy of equal treatment with regard to:

- gender,
- age,
- disability,
- race, nationality,
- religion, belief,
- lifestyle,
- gender identity, sexual orientation,
- family status,
- political convictions,
- the form, scope of and basis for employment,
- other types of cooperation and other conditions exposing people to discriminatory behaviour.

The Budimex Group companies undertook to implement diversity management and equal rights policies and to promote and disseminate them among all stakeholders of the organisation — from administrative to senior management and supervisory positions.

Budimex has developed and implemented equal rights and diversity management policies in the workplace, with special emphasis placed on recruitment, access to training programs and promotion opportunities, remuneration, reconciliation of professional and family obligations, and protection from mobbing and unjustified dismissal.

The Budimex Group's staff includes people of differing gender and age, which fosters dialogue between people from different generations. The largest group of employees are 30-50 years of age, followed by the group of employees under the age of 30, with people over the age of 50 forming a slightly smaller group. Budimex also breaks down barriers associated with the health of our employees by hiring people with disabilities.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Structure of employees of the Budimex Group in 2020:

Age (in years)	Women	Men	Total
<30	463	891	1 354
30-50	966	3 553	4 519
> 50	96	1 304	1 400
Total employees	1 525	5 748	7 273

Age and gender structure of the Company's Management Board

	Women	Men	Total
Total Management Board , of which:	0	5	5
under 30 years of age	0	0	0
30-50 years of age	0	1	1
over 50 years of age	0	4	4
including foreign nationals	0	0	0

Age and gender structure of the Company's Supervisory Board

	Women	Men	Total
The Supervisory Board	2	8	10
under 30 years of age	0	0	0
30-50 years of age	1	1	2
over 50 years of age	1	7	8
including foreign nationals	0	4	4

6.4 Key features of the Company's internal control and risk management systems with respect to the process of preparation of the financial statements of Budimex SA and the Budimex Group

The Management Board of Budimex SA is responsible for the implementation and functioning of the internal control system in the process of the preparation of separate financial statements of Budimex SA and the consolidated financial statements of the Budimex Group.

The obligation to prepare financial statements is realised in practice by qualified personnel of the Financial Department under the supervision of a Management Board Member – the Chief Financial Officer of Budimex SA.

The preparation of annual financial statements is preceded by a meeting of the Audit Committee with independent auditors in order to determine the audit scope and plan, and to discuss potential risk areas which may have an impact on the truthfulness and fairness of the financial statements. Additionally, the Budimex Group uses a computer program that supports the identification and management of risks related to the preparation of any financial information, including financial statements.

Preparation of the financial statements is an orderly process which accounts for the delegation of duties of the personnel of the Financial Department of Budimex SA, in accordance with their competences and qualifications. Separate financial statements of the Company are prepared on the basis of its books of account. The books of account of the most significant Group companies are maintained using the finance and accounting system, SAP R/3, which has been used for financial and management accounting purposes since 1 January 2003. The SAP R/3 system is managed centrally by qualified employees of Budimex SA who define authorisation levels for the implementation and modification of transaction data, templates of key reports and changes in the Company's chart of accounts.

Consolidated financial statements are drafted on the basis of consistent consolidation packages prepared electronically by individual Group companies. The process of consolidation is executed by the Department of Reporting and Consolidation and is supervised by the Head of the Accounting Department.

The companies of the Budimex Group apply consistent accounting policies approved by the Management Boards of Budimex SA and subsidiary companies. The correctness of application of the accounting policies by individual companies is regularly monitored by the Department of Reporting and Consolidation and by the Controlling Office of Budimex SA.

The Department of Reporting and Consolidation of Budimex SA is responsible for recommending solutions relating to modifying and updating accounting policies and other WSE reporting requirements, as well as for implementing solutions approved by the Management Board.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

During the preparation of the financial statements, among others, the following control activities are carried out:

- assessment of significant, non-routine transactions in terms of their effect on the financial position of the Group or the manner of their presentation in the financial statements,
- verification of the correctness of the assumptions underlying accounting estimates,
- comparative and substantive analyses of financial data,
- verification of the arithmetical correctness and consistency of financial data,
- analysis of disclosure completeness.

Annual financial statements are forwarded to the Chief Financial Officer for preliminary verification and then to the Management Board for final verification and authorisation.

Annual financial statements are subject to an audit by an independent certified auditor who presents post-audit conclusions and observations to the Audit Committee and then to the Supervisory Board. After reviewing the contents of the financial statements and this Directors' Report as well as the auditor's report, the Supervisory Board issues an assessment on their consistency with the accounting records, supporting documentation, and the actual state of affairs.

6.5 Shareholders with direct or indirect ownership of significant blocks of shares

According to the information available to Budimex SA, the shareholding structure of the Company as at 31 December 2020 was as follows:

Shareholder	Type of shares	Number of shares	% share in the share capital	Number of votes	% share in the number of votes at the GSM
Ferrovial Construction International SE	ordinary	12 801 654	50.1%	12 801 654	50.1%
Aviva OFE Aviva Santander	ordinary	2 552 000	10.0%	2 552 000	10.0%
Nationale Nederlanden OFE	ordinary	1 618 000	6.3%	1 618 000	6.3%
Other shareholders	ordinary	8 558 444	33.6%	8 558 444	33.6%
Total		25 530 098	100.0%	25 530 098	100.0%

6.6 Holders of all securities which confer special control rights

The Company did not issue any securities that give special control rights.

6.7 Restrictions on exercising voting rights

There are no restrictions concerning the exercise of voting rights.

6.8 Restrictions on transferring ownership rights to the securities of Budimex SA

There are no restrictions on the transfer of ownership rights to securities of Budimex SA, except for the rights concerning registered shares whose disposal requires the pre-approval of the Company. Such approval has to be granted by the Management Board in writing to be valid.

6.9 Regulations concerning appointment or removal of Management or Supervisory Board Members, the rights of those persons, in particular, the right to make decisions on share issue or redemption

The Supervisory Board appoints and removes the President of the Management Board and, upon his/her request, the Vice-Presidents of the Management Board or other Board Members for a joint three-year term of office.

The Management Board is not authorised to take a decision on share issue. The rights of the Management Board regarding the decision

to redeem shares do not vary from those set forth in the Code of Commercial Companies.

During 2020, policies concerning the appointment or removal of members of managing bodies as well as the rights of members of these bodies, including the right to make a decision on the issuance or redemption of the Company shares, as provided for in the Articles of Association, did not change.

In accordance with the provisions of the Company's Articles of Association, the Management Board conducts the Company's affairs and represents the Company, which effectively means that the scope of duties of this body does not differ from that defined in the Code of Commercial Companies. Detailed rights of the Management Board of Budimex SA specified in the Company's Articles of Association are as follows:

- granting approval for disposal of registered (inscribed) shares,
- determining the share issue price in the case of a share capital increase,
- cancelling or limiting the pre-emptive right to newly issued shares upon approval by the Supervisory Board,
- defining the method of determining the share issue price or issuing shares in exchange for non-monetary contribution upon approval by the Supervisory Board,

- making a decision on the purchase or disposal of property, perpetual usufruct or a share in property, machines and equipment, securities or other asset items where the unit price on acquisition or disposal does not exceed one fifth of the Company's share capital,
- taking a decision on the prepayment of year-end dividend upon approval by the Supervisory Board.

6.10 Implementing changes to the Articles of Association of Budimex SA

Changes to the Articles of Association are made by way of a resolution of the General Meeting of Shareholders and an entry in the National Court Register. These issues are regulated in sec. 13 letter r) of the Articles of Association in the description of the rights of the General Meeting of Shareholders. A draft resolution on amending the Company's Articles of Association should be submitted to the Supervisory Board for approval, as is the case for all resolutions of the General Meeting. In accordance with the provisions of the Code of Commercial Companies, such resolution should be adopted with a qualified majority of votes, i.e. (i) as a rule, three quarters of the total voting rights, and (ii) in the case of a significant change to business activities – two thirds of the votes.

6.11 Functioning of the General Meeting of Shareholders, its fundamental powers, rights of the shareholders and the manner of exercising those rights

The General Meeting of Shareholders of the Company operates on the basis of the Articles of Association, By-laws of the General Meeting (both documents are posted on the Company's website) and provisions of other laws, including the provisions of the Code of Commercial Companies. Detailed powers of the General Meeting of Shareholders have been described in sec. 13 of the Articles of Association. Shareholders exercise their rights in the manner specified in the Articles of Association, By-laws of the General Meeting of Shareholders and binding laws.

The General Meeting of Shareholders is convened as ordinary or extraordinary. Ordinary General Meetings of Shareholders take place, at the latest, within 6 months of the end of each financial year. General Meetings of Shareholders are convened by the Company's Management Board. The Supervisory Board may convene an Ordinary General Meeting of Shareholders if the Company's Management Board does not convene it within the period defined in the Code of Commercial Companies or in the Articles of Association; the Supervisory Board may also convene an Extraordinary General Meeting of Shareholders if such a meeting is deemed advisable. An Extraordinary General Meeting of Shareholders may also be convened by the shareholders representing at least half of the Company's share capital or at least half of the total number of votes in the Company. If this is the case, the shareholders appoint the chairman of the Meeting.

The shareholder or shareholders representing at least 1/20th of the Company's share capital may request in writing, or using electronic means of communication, that the Company's Management Board convene an Extraordinary General Meeting of Shareholders and include certain specific matters on the meeting agenda or matters that are to be introduced to the meeting agenda. If, within two weeks of the date of forwarding such a request, the Extraordinary General Meeting of Shareholders is not convened, the court of registration may authorise the shareholders initiating such a request to convene the Meeting. The court of registration appoints the person chairing the Meeting, and in the notification about the Meeting the shareholders should refer to such decision of the court of registration. The Meeting convened in this manner takes a resolution on whether the costs of convening and holding the Meeting are to be borne by the Company. The shareholders who requested that the Meeting should be convened may apply to the court to be exempted from the costs imposed by the resolution of the Meeting of Shareholders.

A dedicated email address which may be used in cases defined by the Code of Commercial Companies in connection with convening General Meetings of Shareholders is posted on the Company's website.

The General Meeting of Shareholders of the Company is convened by way of posting an announcement on the Company's website and in the manner reserved for forwarding current information, in accordance with the provisions of the Act on the Public Offering and the Terms and Conditions of Introducing Financial Instruments to an Organised System of Trading and on Public Companies. The announcement should be made at least twenty six days before the scheduled date of the General Meeting of Shareholders.

A General Meeting of Shareholders may also take place in the manner specified in the Code of Commercial Companies on condition that the provisions of Article 405 of the Code of Commercial Companies are fulfilled.

A shareholder or shareholders representing at least one twentieth of the Company's share capital may request that certain matters be included on the agenda of the next General Meeting of Shareholders. The request should be forwarded to the Management Board of the Company no later than twenty-one days before the scheduled date of the meeting and should include justification for or a draft of the resolution concerning the proposed matter for the agenda. The request may be forwarded in an electronic form. The request may be forwarded in an electronic form. The Management Board must immediately, but no later than 18 days before the scheduled date of the General Meeting, announce changes to the meeting agenda that were introduced at the request of the shareholders. Such announcement is executed in the manner applicable to convening the General Meetings of Shareholders.

A shareholder or shareholders representing at least one twentieth of the Company's share capital may, before the date of the General Meeting of Shareholders, send to the Company in writing, or using electronic means of communication, draft resolutions concerning items placed on the agenda of the General Meeting of Shareholders or items that are to be placed on the agenda. The Company shall immediately post such drafts of resolutions on its website. During a General Meeting of Shareholders, each shareholder may submit draft resolutions concerning matters entered on the agenda.

The shareholders may participate in the General Meeting of Shareholders and exercise their voting rights in person or through authorised representatives. The authorisation to participate in the General Meeting of Shareholders and to exercise voting rights

should be granted in writing or in an electronic form. Granting authorisation in electronic form does not require the use of a qualified electronic signature.

In accordance with the Articles of Association and applicable laws, the General Meeting of Shareholders adopts resolutions in particular on the following matters:

- considering and authorising the report on the Company's activities and of the financial statements for the prior financial year,
- reviewing and approving the directors' report on the Group's activities and the consolidated financial statements of the Budimex Group,
- acknowledging the fulfilment of duties by members of the Management and Supervisory Boards,
- creating and reversing of special funds and reserve capital, and their utilisation,
- profit appropriation or defining the manner of loss absorption; the General Meeting of Shareholders may resolve that dividend, in whole or in part, be allocated towards increasing the share capital and the shareholders are issued new shares in exchange,
- claims for losses incurred at the incorporation of the Company, or losses resulting from performing management or supervisory functions,
- disposing or leasing/renting the company or its organised part, or establishing restrictions on its use or disposal,
- taking decisions on company merger or liquidation, and in the case of the latter – appointing Company liquidators,
- issuing convertible bonds or bonds with pre-emptive rights, or subscription warrants,
- redemption of shares,
- an amendment to the Company's Articles of Association, especially concerning a share capital increase or decrease, or an amendment to the Company's objects,
- adopting By-laws of the General Meeting of Shareholders of Budimex SA,
- appointing and removing Supervisory Board members,
- defining the principles and amount of remuneration for Supervisory Board members,
- re-acquisition of own shares to offer them to employees or persons who were employed at the Company or any related company for the period of at least three years,
- conclusion by the Company of a loan, borrowing or suretyship agreement, or other similar agreement with a member of the Management or Supervisory Board, authorised commercial representative, liquidator, or concluding an agreement in favour of any of the said persons,
- determining the date on which the list of shareholders entitled to receive dividend for the year is prepared (dividend date).

Matters forwarded by the Management Board for consideration by the General Meeting of Shareholders should first be forwarded for the Supervisory Board's consideration.

Resolutions of the General Meeting of Shareholders are adopted by an absolute majority of votes, irrespective of the number of shares represented at the meeting, unless the provisions of the Code of Commercial Companies state otherwise.

6.12 Composition of the Management and Supervisory Boards, changes thereto in the last financial year and functioning of the management and supervisory bodies of the Company and their committees

a) Composition of the Management Board

As at 31 December 2020, the Management Board of Budimex SA was composed of the following persons:

- | | |
|-------------------------|--|
| • Dariusz Jacek Blocher | President of the Management Board, General Director, |
| • Artur Popko | Vice-President of the Management Board, Chief Operating Officer, |
| • Cezary Mączka | Board Member, Chief HR Officer, |
| • Jacek Daniewski | Board Member, Chief Legal and Organisational Officer, |
| • Marcin Węglowski | Board Member, Chief Financial Officer. |

In 2020, the composition of the Management Board did not change.

In 2020, there were no changes as regards authorisations to represent the Company granted by the Management Board.

b) Composition of the Supervisory Board and its Committees

As at 31 December 2020, the Supervisory Board of Budimex SA was composed of the following persons:

- | | |
|--|--|
| • Marek Michałowski | Chairperson of the Supervisory Board, |
| • Juan Ignacio Gaston Najarro | Deputy Chairperson of the Supervisory Board, |
| • Igor Adam Chalupiec | Supervisory Board secretary, |
| • Danuta Dąbrowska | Supervisory Board Member |
| • Agnieszka Słomka-Gołębiowska | Supervisory Board Member |
| • Janusz Dedo | Supervisory Board Member |
| • Javier Galindo Hernandez | Supervisory Board Member |
| • Jose Carlos Garrido-Lestache Rodríguez | Supervisory Board Member |
| • Artur Kucharski | Supervisory Board Member |
| • Fernando Luis Pascual Larragoiti | Supervisory Board Member |

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

In 2020, the composition of the Supervisory Board changed as follows:

- on 18 June 2020, Ms Marzenna Anna Weresa tendered her resignation as member of the Supervisory Board,
- on 18 June 2020, the Annual General Meeting appointed Mr Artur Kucharski to the Supervisory Board.

As at 31 December 2020, the Audit Committee was composed of the following persons:

- Danuta Dąbrowska – Chairperson,
- Javier Galindo Hernandez – Member,
- Agnieszka Słomka-Golebiowska – Member.

The composition of the Audit Committee did not change in 2020.

As regards the independence of an Audit Committee member, provisions of the following apply: Article 129 par. 3 of the Act on Statutory Auditors, Audit Firms and Public Oversight of 11 May 2017 and criteria of independence of Board members, within the meaning of the Best Practices of WSE Listed Companies 2016 (Rule II.Z.4. Section II Management Board and Supervisory Board, in the Best Practices of WSE Listed Companies 2016).

The status of independence of a Supervisory Board member is determined by the Company in accordance with the criteria defined in the Operating Instruction No. IO-01-07-02, relating to obtaining information from Supervisory Board members and the publication of this information, based on representations filed by Board members and based on Article 129 par. 3 of the Act on Statutory Auditors, Audit Firms and Public Oversight of 11 May 2017.

As at 31 December 2020, the Investment Committee was composed of the following persons:

- Janusz Dedo – Chairperson,
- Javier Galindo Hernandez – Member,
- Fernando Luis Pascual Larragoiti – Member.

The composition of the Investment Committee did not change in 2020.

As at 31 December 2020, the Remuneration Committee was composed of the following persons:

- Marek Michałowski – Chairperson,
- Igor Chalupiec – Member,
- Juan Ignacio Gaston Najarro – Member.

The composition of the Remuneration Committee did not change in 2020.

c) Operation of the Management Board

The Management Board operates based on the provisions of the Company's Articles of Association, By-laws of the Management Board and other binding regulations, including the Code of Commercial Companies. The Management Board is composed of one or more members. The Management Board conducts the Company affairs and formally represents the Company.

The President of the Management Board is appointed and removed by the Supervisory Board. The President of the Management Board is, at the same time, the Company's General Director. The Supervisory Board, at the request of the President of the Management Board, appoints vice-presidents and other members of the Management Board for a 3-year joint term of office.

The functioning of the Management Board is managed by the President of the Management Board. The detailed manner of Management Board functioning has been defined in the By-laws of the Management Board approved by the Supervisory Board.

Resolutions of the Management Board may be adopted with an absolute majority of votes. In the event of an equal number of votes, the casting vote is that of the President of the Management Board.

The persons authorised to make representations or sign documents on behalf of the Company are:

- President of the Management Board – individual representation,
- two Board Members – acting together or one Board Member acting together with an authorised commercial representative.

Representations filed with the Company or submissions of documents are considered valid if addressed to one Board Member, or authorised commercial representative of the Company.

d) Operation of the Supervisory Board

The Supervisory Board operates on the basis of the Articles of Association, By-laws of the Supervisory Board of Budimex SA and other legal regulations, including the Code of Commercial Companies. The organisation and operation of the Supervisory Board is defined in the By-laws of the Supervisory Board.

The Supervisory Board takes decisions provided at least half of Board Members are present at the meeting and all its members were invited to the meeting. The Supervisory Board adopts resolutions with an absolute majority of votes. In the case of equal number of votes, the casting vote is that of the Chairperson of the Supervisory Board. It is allowed that resolutions of the Supervisory Board are taken in writing or using means of direct communication. Resolutions of the Supervisory Board are valid

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

and effective if all Board members were informed about the content of the draft resolution and at least half of the Board members participated in passing the resolution. Supervisory Board members may participate in taking resolutions by voting in writing by proxy i.e. through another member of the Supervisory Board, in all matters listed on the agenda of the Supervisory Board meeting, except for matters that were added to the agenda during the course of the Supervisory Board's Meeting.

In performing its duties, the Supervisory Board is authorised to review all documents of the Company or to request reports and explanations from the Management Board or employees of the Company; it may also verify the company's assets, books of account, registers and documents. The Supervisory Board is also entitled to order, for its own use, appropriate expert research in matters of its supervision and control.

The Supervisory Board supervises all aspects of the Company's operations in an ongoing manner. Included in the scope of duties of the Supervisory Board are, in particular, the following:

- assessment of the directors' report on the company's activities and evaluation of the financial statements for the previous year,
- evaluation of profit appropriation or loss absorption proposals made by the Management Board,
- recommending to the General Meeting of Shareholders the acknowledgement of the fulfilment of duties by members of the Management Board,
- presenting to the General Meeting of Shareholders annual written reports on the results of the assessment referred to above,
- suspending, for valid reasons, individual or all Management Board members and delegating Supervisory Board members for a period lasting no more than 3 months to temporarily perform the duties of those Management Board members who were removed, resigned or could not perform their duties for other reasons,
- approval of the By-laws of the Management Board of the Company,
- concluding agreements with the Company Management Board members, determining the remuneration of the President of the Management Board and of other Board members, determining policies for granting management bonuses, exercising rights towards Management Board members resulting from work relations; with the proviso that such agreements should be signed by the Chairperson of the Supervisory Board on behalf of the Supervisory Board,
- appointment of a new certified auditor from the list of certified auditors maintained by the National Council of Certified Auditors to audit the financial statements of the Company,
- approval of the agreement between the Company's Management Board and the underwriter to take up the Company's shares,
- granting approval to a Board member to deal with competitive business or to participate in a competing company,
- granting approval to excluding or limiting by the Management Board a pre-emptive right to newly issued shares,
- granting approval to the method of determining share issue price proposed by the Management Board or to issue shares for an in-kind (non-monetary) contribution,
- granting approval for the purchase or disposal of property, perpetual usufruct right or share in property, machines, equipment, securities or other assets, if the unit price on acquisition or disposal exceeds 1/5th of the Company's share capital; if the value of the transactions referred to in this point does not exceed the amount stated above, the decision is made independently by the Management Board.

In accordance with sec. 12, par. 3 of the By-laws of the Supervisory Board, the Supervisory Board may establish committees or appoint teams from among its members, or delegate a Board member to such bodies. As stated above, the following three committees operate as part of the Supervisory Board: Audit Committee, Investment Committee and Remuneration Committee.

e) Tasks of the Audit Committee

The role of the Audit Committee is to:

1. monitor the process of preparation of the financial statements of the Company and the consolidated financial statements for the previous year, perform detailed reviews of the results of audits performed by a statutory auditor at each audit stage; monitor the process of preparation of the Directors' Report, including statements on non-financial information;
2. monitor the effectiveness of the internal control systems, risk management systems and internal audit, also in the area of financial reporting;
3. monitor the performance of audit activities, in particular performance by an audit firm of an audit, while taking into consideration any and all motions and findings of the Audit Supervision Authority arising from the control activities carried out within the audit firm;
4. control and monitor the independence of the statutory auditor and of the audit firm, in particular when the services other than audit and review of financial statements are provided to the Company by the audit firm;
5. inform the Supervisory Board about the results of the audit and explain the manner in which the audit contributed to reliability of financial reporting at the Company and the role of the Audit Committee in the audit process;
6. assess the independence of the statutory auditor and grant consent to provision by the statutory auditor of permitted services other than the audit in the Company;
7. develop a policy for selecting the audit firm to conduct the audit;
8. develop a policy governing provision by the audit firm, entities affiliated with that audit firm and by any member of the audit firm's network of permitted services other than audit;
9. define the procedure for selection of the audit firm by the Company;

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

10. present to the Supervisory Board a recommendation referred to in Article 16 par. 2 of Regulation No. 537/2014 (a recommendation for the appointment of statutory auditors or audit firms) in compliance with the policies referred to items 7 and 8 above;
11. submit recommendations designed to ensure integrity of the financial reporting process at the Company;
12. forward to the Supervisory Board conclusions and recommendations relating to the audit and assessment of the financial statements of the Company and of the consolidated financial statements for the previous year, to assess the Management Board's proposal concerning profit appropriation or loss absorption;
13. forward to the Supervisory Board conclusions and recommendations concerning acknowledgement of the fulfilment of duties by the Chief Financial Officer;
14. perform other tasks commissioned by the Supervisory Board depending on the current situation of the Company;
15. submit a report on the Committee's activities to the Supervisory Board on a semi-annual basis, by the date of approval of annual financial statements and after publication of semi-annual financial statements.

In 2020, the statutory independence criterion was met by Danuta Dąbrowska and Agnieszka Słomka-Gołębiowska.

In 2020, members of the Audit Committee who have the most extensive experience, knowledge and skills in the field of accounting and management are:

- Ms Danuta Dąbrowska, member of the Association of Chartered Certified Accountants (ACCA), member of supervisory boards of WSE-listed companies and

- Ms Agnieszka Słomka-Gołębiowska – professor at the Chair of International Comparative Studies at the Warsaw School of Economics, member of supervisory boards of WSE-listed companies.

Mr. Javier Galindo Hernandez – former long-term Chief Financial Officer of Ferrovial Construcción SA, the main company of the Ferrovial Group construction segment, is a member of the Audit Committee with the greatest experience, knowledge and skills in the broadly understood construction industry.

The Audit Committee held 7 meetings in 2020.

Key elements of the audit firm selection policy

In accordance with the Articles of Association of Budimex SA, the audit company is selected by the Supervisory Board on the basis of a recommendation of the Audit Committee. It is prohibited to introduce any contractual clauses that would require the Supervisory Board to select an audit firm from a specific category or list of audit firms. Such clauses shall be null and void by operation of law.

At the same time, the Supervisory Board – during the selection of the audit firm – and the Audit Committee – at the stage of preparing recommendations – follow, among others, the following guidelines concerning the audit firm:

- a) the price proposed by the audit firm,
- b) the ability to ensure full range of services defined by Budimex SA,
- c) previous experience of an audit firm in auditing financial statements of entities whose business profile is similar to that of the Budimex Group and experience in auditing financial statements of public interest entities,
- d) professional qualifications and experience of persons directly involved in the audit carried out in the Budimex Group,
- e) the ability to collaborate with the Ferrovial Group auditors and to meet the deadlines for reporting to the Ferrovial Group.

The Audit Committee's recommendation to the Supervisory Board regarding the extension of agreement with audit firm to perform the audit was issued in 2019 and met the applicable conditions. The aforementioned recommendation regarding the selection of the audit firm was issued in 2017 and prepared as a result of Budimex SA's procedure for selecting an audit firm, carried out in the second half of 2016 and at the beginning of 2017. The procedure for selecting an audit firm was consistent with the "Budimex SA's policy and procedure for selecting an audit firm to audit financial statements".

Key elements of Budimex SA's policy for provision of authorised non-audit services by audit firms and entities affiliated with them

The audit firm, entities affiliated with it and entities belonging to the same network may provide authorised non-audit services, as defined in Article 136 par. 2 of the Act on Statutory Auditors, Audit Firms and Public Oversight of 11 May 2017, to Budimex SA, to its subsidiaries and to the parent company of Budimex SA. However, the Audit Committee is required to approve the conclusion of an agreement for such services, after prior analysis of threats to and safeguards for independence, referred to in Articles 69-73 of the Act. This approval must be recorded in the minutes of the Committee's meeting or be given in circular form and confirmed in the minutes of the next Committee meeting. If the seriousness of the threats to the independence of the audit firm is such that independence is compromised, the Audit Committee shall not approve the signing of an agreement for additional services. The services referred to above may be provided only to the extent not related to the tax policy of Budimex SA. All other non-audit services are prohibited.

f) Tasks of the Investment Committee

The role of the Investment Committee is to provide opinions or approve decisions material for the Company from the point of view of the value of operations relating to: making investments or de-investments in non-financial assets, company incorporation or dissolution, making investments or de-investments or issuing financial assets, Budimex Group company mergers, divisions or transformations, carrying out financial operations, establishing special purpose vehicles (SPVs) to perform works or to render

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

services based on terms and conditions other than those prevailing in the consortium agreements concluded by Budimex Group, preliminary agreements and non-binding initial offers, development projects and significant contracts with related parties.

The Investment Committee operates based on the procedure authorised by the Supervisory Board. The Supervisory Board is informed at its subsequent meetings about matters on which the Investment Committee was to provide opinions during the period in between the Supervisory Board's meetings.

g) Tasks of the Remuneration Committee

The tasks of the Remuneration Committee comprise:

- submitting for approval by the Supervisory Board, proposals concerning remunerating Management Board Members, especially in the form of fixed remuneration, performance-based remuneration, retirement benefit schemes and retirement benefit and long-term incentive programs, together with recommendations concerning objectives and assessment criteria for appropriate adjustment of remuneration of Management Board Members to long-term shareholder interests and the Company's objectives defined by the Supervisory Board; providing the Supervisory Board with proposals concerning the remuneration of individual Management Board Members and ensuring that the remuneration proposed is consistent with the remuneration regulations adopted by the Company and the assessment of the work performance of individual Board Members; providing the Supervisory Board with proposals concerning the appropriate form of employment contracts for individual Board Members; providing the Supervisory Board with proposals concerning bonus ratios, their weight for Board members based on the budget for the given year; offering assistance to the Supervisory Board in supervising the process under which the Company fulfils binding regulations in the area of remuneration disclosure requirements (in particular in the area of remuneration of members of the Management Board); monitoring the level and structure of remuneration of Management Board members based on independent payroll reports, market ratios and submitting to the Supervisory Board appropriate underlying analyses and conclusions; providing opinions on the appointment and removal of members of Supervisory Boards at Budimex SA subsidiary companies, except for SPVs;
- accepting, at the request of the Management Board, the bonus ratio for employees of the Budimex SA head office to be used in the calculation of the previous year's bonus and the percentage ratio for salary/wage increase in the current year;
- preparation of the annual report on activities of the Remuneration Committee.

6.13 Remuneration Policy for Members of Management and Supervisory Boards, as well as key managers at Budimex SA

On 18 June 2020, the General Meeting of Shareholders adopted the remuneration policy of the Budimex SA Governing Bodies.

The purpose of the policy is to set the general guidelines and framework for the remuneration of members of the Company's Management Board and Supervisory Board. The implementation of the purpose and objectives of the Policy is focused on promoting the fulfilment of the tasks entrusted to the members of the Management Board, the achievement of business results at the assumed level or exceeding expectations, as well as promoting the increase of the Company's operational, business and organisational efficiency.

The objectives and goals of the policy are the basis for the rules of remuneration of members of the Management Board of Budimex SA and members of the Supervisory Board.

The policy regulates, among other things:

- components of remuneration of members of the Management Board,
- components of remuneration of members of the Supervisory Board,
- it indicates the proportions between the components,
- it sets out a detailed framework for the award of variable remuneration components,
- it specifies how the bonus criteria are linked to the objectives.

Supervisory Board Members

The body authorised to determine the remuneration policy for members of the Supervisory Board of Budimex SA is the General Meeting of Shareholders. On 28 April 2015, the General Meeting of Shareholders resolved that members of the Supervisory Board of Budimex SA would receive monthly remuneration for their work in the following amounts:

- Chairperson of the Supervisory Board – twice the amount of the average monthly remuneration in the enterprise sector without out of profit payments, calculated using the 1.7 ratio,
- President of the Audit Committee of the Supervisory Board – twice the amount of the average monthly remuneration in the enterprise sector without out of profit payments, calculated using the 1.5 ratio,
- President of the Investment Committee of the Supervisory Board – twice the amount of the average monthly remuneration in the enterprise sector without out of profit payments, calculated using the 1.3 ratio,
- President of the Remuneration Committee of the Supervisory Board – twice the amount of the average monthly remuneration in the enterprise sector without out of profit payments, calculated using the 1.3 ratio,
- Deputy Chairperson of the Supervisory Board – twice the amount of the average monthly remuneration in the enterprise sector without out of profit payments, calculated using the 1.1 ratio,

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

- Secretary of the Supervisory Board – twice the amount of the average monthly remuneration in the enterprise sector without out of profit payments, calculated using the 1.2 ratio,
- Supervisory Board Member – twice the amount of the average monthly remuneration in the enterprise sector without out of profit payments, calculated using the 1.1 ratio.

Management Board Members

The body authorised to determine the remuneration policy for members of the Management Board of Budimex SA is the Supervisory Board. The policy defines all types of remuneration, in particular, fixed remuneration, performance-based remuneration, retirement benefit schemes and retirement benefits, and long-term incentive schemes.

In addition, the Supervisory Board performs all labour-law based activities in relations between Budimex SA and members of the Management Board. Employment contracts with members of the Management Board are signed by the Chairperson of the Supervisory Board on behalf of the Supervisory Board.

Members of the Management Board of Budimex SA ("Company"), in connection with the work performed and position occupied on the Management Board, are employed at either Budimex SA or at subsidiary companies where they receive remuneration based on an employment contract concluded for a fixed term of office, with a termination notice period resulting from the Labour Code provisions. In addition, the employment contracts provide for severance pay in the amount of 6-12 monthly salaries, depending on the position, in the case of removal or non-appointment for the next term of office of the Management Board for reasons due to the Company. Where the contract is terminated due to an employee's resignation or his/her wilful misconduct to the detriment of the Company, severance pay is not paid and only the termination notice period resulting from the applicable Labour Code provisions remains in effect.

In addition, Members of the Management Board of Budimex SA have concluded, with the Company or the company paying their remuneration, separate non-competition agreements which are valid for a period of 12 months after the date of dissolution of the respective employment contracts. During the period of validity of the non-competition clause, the Company will pay the employee 25-100 per cent of his/her basic monthly remuneration, depending on the manner in which the employment contract is terminated and the party that initiated the termination. Contractual penalties have been established for the breach of the non-competition clause by a member of the Management Board.

Information on the remuneration of Members of the Management Board was presented in note 39.1 to the consolidated financial statements of the Budimex Group and in note 39 to the financial statements of Budimex SA.

The remuneration of Management Board members is composed of the following items:

- fixed remuneration – basic monthly salary,
- performance-based remuneration (annual bonus) which is composed of the following elements: task-related bonus which is determined on the basis of an annual assessment of task completion, and ratio-related bonus relating to the business activities of the Budimex Group,
- share-based remuneration under the "Ferrovia's objective-related share incentive scheme" ("Plan przyznania akcji związanych z celami Ferrovia") which consists in conditional awarding of rights to acquire shares in Ferrovia SA. Management Board members who have been employed at the Company for at least 36 months will be eligible to subscribe for the shares in Ferrovia. Both the fact of awarding and the number of awarded shares depends on achieving economic parameters budgeted by the Ferrovia Group in three consecutive years and on the eligible persons' remaining employed by the Company at the date of awarding the shares.

As part of the ECP (Employee Capital Plan), the Company operates the voluntary Employer's Additional Contribution Scheme. Contributions are calculated as a percentage of the employee's remuneration. Members of the Management Board participate in the scheme on the same basis as all Budimex employees.

Key managers

The body authorised to determine the remuneration policy for Key managers is the Management Board of Budimex SA. The remuneration policy has been determined in individual employment contracts.

The remuneration of key managers is composed of the following items:

- fixed remuneration – basic monthly salary,
- performance-based remuneration (annual bonus) which is composed of the following elements: task-related bonus, which is determined on the basis of an annual assessment of task completion, and ratio-related bonus relating to the business activities – areas under management,
- share-based remuneration under the "Ferrovia's objective-related share incentive scheme" ("Plan przyznania akcji związanych z celami Ferrovia") which consists in conditional awarding of rights to acquire shares in Ferrovia SA. Management Board members who have been employed at the Company for at least 36 months will be eligible to subscribe for the shares in Ferrovia. Both the fact of awarding and the number of awarded shares depends on achieving economic parameters budgeted by the Ferrovia Group in three consecutive years and on the eligible persons' remaining employed by the Ferrovia Group at the date of awarding the shares.
- in addition, for key employees with above-average business performance, the Company has introduced retention contracts.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Non-financial components of remuneration

Non-financial components of remunerations to which individual Board Members and key managers are entitled are the same and include "in-kind" benefits such as free-of-charge medical care, payment of life insurance policy premiums, company car.

Significant changes to the remuneration policy

There were no significant changes to the remuneration policy during the last financial year.

Assessment of the remuneration policy

The remuneration policy in place is an effective management tool supporting the Company's strategic development objectives and enabling a flexible response to changes in the business environment caused by the shortage of subcontractors and the need to expand the Company's own execution capacities.

7 REPORT ON NON-FINANCIAL INFORMATION

Budimex SA and the Budimex Group have decided to prepare reports on non-financial information as separate documents. The consolidated report of the Budimex Group on non-financial information and the separate report of Budimex SA on non-financial information will be published on the website www.budimex.pl.

8 REPRESENTATION BY THE MANAGEMENT BOARD

To the best of our knowledge, the consolidated financial statements of the Budimex Group and financial statements of Budimex SA for the twelve-month period ended 31 December 2020 and the comparative data have been prepared in compliance with the applicable accounting standards and give a clear, true and fair view of the assets, financial conditions and financial performance of the Budimex Group and Budimex SA. The Directors' Report gives a true view of the development, achievements and position of the Budimex Group and Budimex SA; it also includes a description of key risks and threats.

Pursuant to the representation by the Supervisory Board of Budimex SA, we hereby inform that the audit firm carrying out the audit of the consolidated financial statements of the Budimex Group and the financial statements of Budimex SA for the 12-month period ended 31 December 2020 – Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. – has been selected in accordance with the regulations, including those concerning the selection and procedure for the selection of the audit firm, and that:

- the audit firm and the auditors who performed the audit met the conditions required to issue an impartial and independent audit report on the annual consolidated financial statements of the Budimex Group and audit report on the financial statements of Budimex SA, in accordance with the applicable laws and regulations, professional standards, and principles of professional ethics,
- the regulations on rotation of audit firms and lead auditors and on the mandatory cooling-off periods are observed,
- Budimex SA has a policy for selection of an audit firm and a policy governing the provision to Budimex SA of additional non-audit services, including services conditionally exempt from the prohibition of certain non-audit services, by an audit firm, an entity related to the audit firm or a member of the audit firm's network.

Warsaw, 22 March 2021

Dariusz Blocher President of the Management Board	
Artur Popko Vice-president of the Management Board	
Jacek Daniewski Member of the Management Board	
Cezary Mączka Member of the Management Board	
Marcin Węglowski Member of the Management Board	