THE BUDIMEX GROUP

CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

prepared in accordance with
International Financial Reporting Standards
endorsed by the European Union

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(all amounts are expressed in PLN thousand)

Consolidated statement of financial position

ASSETS	**Note**	**31 December 2022**	**31 December 2021**
Non-current (long-term) assets			
Property, plant and equipment	10	640 734	538 612
Intangible assets	12	145 094	150 579
Goodwill of subordinated entities	13	178 198	168 508
Investments in equity accounted entities	14	2 405	2 270
Investments in equity instruments	15.3	7 545	8 670
Retentions for construction contracts	29	83 393	87 264
Trade and other receivables	17	24 441	27 475
Receivables from service concession arrangements	16	46 511	46 638
Other financial assets	15	4 777	24
Deferred tax assets	24	685 036	642 373
Total non-current (long-term) assets		**1 818 134**	**1 672 413**
Current (short-term) assets			
Inventories	18	743 778	428 960
Trade and other receivables	17	952 515	1 217 862
Retentions for construction contracts	29	83 120	97 263
Valuation of construction contracts	27	532 484	729 415
Current tax assets		1 957	114
Other financial assets	15	5 851	1 496
Cash and cash equivalents	19	3 249 369	2 715 795
Total current (short-term) assets		**5 569 074**	**5 190 905**
TOTAL ASSETS		**7 387 208**	**6 863 318**

(all amounts are expressed in PLN thousand)

Consolidated statement of financial position (cont.)

EQUITY AND LIABILITIES	Note	31 December 2022	31 December 2021
EQUITY			
Issued capital	20	145 848	145 848
Share premium	20	80 199	80 199
Other reserves	20	56 413	53 324
Cumulative translation differences		7 092	6 289
Retained earnings	20	968 832	1 033 580
Shareholders' equity attributable to the shareholders of the Parent		**1 258 384**	**1 319 240**
Equity attributable to non-controlling interests	21	**41 071**	**41 767**
Total equity		**1 299 455**	**1 361 007**
LIABILITIES			
Non-current (long-term) liabilities			
Loans, borrowings and other external sources of finance	22	148 706	155 269
Retentions for construction contracts	29	229 963	236 588
Provisions for long-term liabilities and other charges	26	626 314	616 498
Retirement benefits and similar obligations	25	10 070	12 580
Other financial liabilities	15	12 807	2 076
Deferred tax liabilities	24	1 149	830
Total non-current (long-term) liabilities		**1 029 009**	**1 023 841**
Current (short-term) liabilities			
Loans, borrowings and other external sources of finance	22	76 435	83 777
Trade and other payables	23	1 516 956	1 396 300
Retentions for construction contracts	29	218 039	209 962
Provisions for losses on construction contracts	27	803 263	514 787
Valuation of construction contracts	27	1 493 517	1 588 487
Deferred income	28	578 658	291 860
Provisions for short-term liabilities and other charges	26	337 818	302 474
Current tax liability		29 245	67 658
Retirement benefits and similar obligations	25	1 578	1 846
Other financial liabilities	15	3 235	21 319
Total current (short-term) liabilities		**5 058 744**	**4 478 470**
Total liabilities		**6 087 753**	**5 502 311**
TOTAL EQUITY AND LIABILITIES		**7 387 208**	**6 863 318**

(all amounts are expressed in PLN thousand)

Consolidated profit and loss account

	Note	Year ended 31 December 2022	Year ended 31 December 2021
Continuing operations			
Net sales of finished goods, services, goods for resale and raw materials	30	8 619 054	7 911 192
Cost of finished goods, services, goods for resale and raw materials sold	31	(7 746 611)	(7 077 395)
Gross profit on sales		**872 443**	**833 797**
Selling expenses	31	(13 530)	(11 733)
Administrative expenses	31	(317 153)	(269 011)
Other operating income	33	65 235	85 043
Other operating expenses	33	(44 568)	(51 011)
Operating profit		**562 427**	**587 085**
Finance income	34	131 961	13 583
Finance costs	34	(45 589)	(46 239)
Shares in net profits/ (losses) of equity accounted subordinates	14	135	67
Gross profit		**648 934**	**554 496**
Income tax	24	(100 805)	(88 550)
Net profit from continuing operations		**548 129**	**465 946**
Discontinued operations			
Net profit from discontinued operations		**-**	**520 508**
Net profit for the period		**548 129**	**986 454**
of which:			
Attributable to the shareholders of the Parent, of which:		***534 443***	***971 603***
from continuing operations		*534 443*	*451 095*
from discontinued operations		*-*	*520 508*
Attributable to non-controlling interests, of which:	*21*	***13 686***	***14 851***
from continuing operations		*13 686*	*14 851*
from discontinued operations		*-*	*-*

Basic and diluted earnings per share attributable to the shareholders of the Parent (in PLN) , of which:	*35*	*20.93*	*38.06*
from continuing operations		*20.93*	*17.67*
from discontinued operations		*-*	*20.39*

(all amounts are expressed in PLN thousand)

Consolidated statement of comprehensive income

	Note	Year ended 31 December 2022	2021
Net profit for the period		**548 129**	**986 454**
Other comprehensive income, of which:			
Items to be reclassified to profit or loss upon satisfaction of certain conditions:			
Cumulative translation differences	37	803	(184)
Deferred tax related to components of other comprehensive income		-	-
Items not to be reclassified to profit or loss:			
Actuarial gains/ (losses)	25	3 813	6 445
Deferred tax related to components of other comprehensive income	24	(724)	(1 225)
Other comprehensive income, net		**3 892**	**5 036**
Total comprehensive income for the period, of which:		**552 021**	**991 490**
Comprehensive income for the period from continuing operations		552 021	470 982
Comprehensive income for the period from discontinued operations		-	520 508
of which:			
Attributable to the shareholders of the Parent, of which:		***538 335***	***976 639***
from continuing operations		*538 335*	*456 131*
from discontinued operations		*-*	*520 508*
Attributable to non-controlling interests, of which:	***21***	***13 686***	***14 851***
from continuing operations		*13 686*	*14 851*
from discontinued operations		*-*	*-*

(all amounts are expressed in PLN thousand)

Consolidated statement of changes in equity

	Issued capital	Share premium	Other reserves- (incl. share-based payments and actuarial gains/ losses)	Cumulative translation differences	Retained earnings	Equity attributable to the shareholders of the Parent, total	Non-controlling interests	Total equity
Balance as at 1 January 2022	**145 848**	**80 199**	**53 324**	**6 289**	**1 033 580**	**1 319 240**	**41 767**	**1 361 007**
Profit for the period	-	-	-	-	534 443	534 443	13 686	**548 129**
Other comprehensive income	-	-	3 089	803	-	3 892	-	**3 892**
Comprehensive income for the period	-	-	**3 089**	**803**	**534 443**	**538 335**	**13 686**	**552 021**
Payment of dividend by Budimex SA (note 36)	-	-	-	-	(599 191)	(599 191)	-	**(599 191)**
Payment of dividend to non-controlling shareholders (note 21)	-	-	-	-	-	-	(14 382)	**(14 382)**
Balance as at 31 December 2022	**145 848**	**80 199**	**56 413**	**7 092**	**968 832**	**1 258 384**	**41 071**	**1 299 455**

(all amounts are expressed in PLN thousand)

Consolidated statement of changes in equity (cont.)

	Issued capital	Share premium	Other reserves- (incl. share-based payments and actuarial gains/ losses)	Cumulative translation differences	Retained earnings	Equity attributable to the shareholders of the Parent, total	Non-controlling interests	Total equity
Balance as at 1 January 2021	**145 848**	**80 199**	**48 104**	**6 473**	**868 727**	**1 149 351**	**37 920**	**1 187 271**
Profit for the period	-	-	-	-	971 603	971 603	14 851	**986 454**
Other comprehensive income	-	-	5 220	(184)	-	5 036	-	**5 036**
Comprehensive income for the period	-	-	**5 220**	**(184)**	**971 603**	**976 639**	**14 851**	**991 490**
Payment of dividend by Budimex SA	-	-	-	-	(426 352)	(426 352)	-	**(426 352)**
Payment of dividend to non-controlling shareholders (note 21)	-	-	-	-	-	-	(11 004)	**(11 004)**
Interim dividend payment (note 36)	-	-	-	-	(380 398)	(380 398)	-	**(380 398)**
Balance as at 31 December 2021	**145 848**	**80 199**	**53 324**	**6 289**	**1 033 580**	**1 319 240**	**41 767**	**1 361 007**

(all amounts are expressed in PLN thousand)

Consolidated statement of cash flows

	Note	Year ended 31 December 2022	2021
CASH FLOW FROM OPERATING ACTIVITIES			
Gross profit		**648 934**	**1 190 797**
from continuing operations		*648 934*	*554 496*
from discontinued operations		-	*636 301*
Adjustments for:			
Depreciation/ amortisation	10,11,12	152 387	146 607
Shares in net (profits)/ losses of equity accounted subordinates	14	(135)	(67)
Foreign exchange (gains)/ losses		1 243	592
Interest and shares in profits (dividends)		10 141	5 994
(Profit)/ loss on investing activities		(21 563)	(592 096)
Change in valuation of derivative financial instruments	15.2	(7 370)	269
Change in provisions and liabilities arising from retirement benefits and similar obligations	37	46 195	129 685
Other adjustments	37	355	(1 213)
Operating profit before changes in working capital		**830 187**	**880 568**
Change in receivables and retentions for construction contracts	37	290 194	(421 491)
Change in inventories	37	(314 818)	(114 033)
Change in retentions for construction contracts and in liabilities, except for loans and borrowings	37	127 838	141 735
Change in deferred income	37	286 798	(39 999)
Change in the balance of valuation of construction contracts and provision for losses on construction contracts		390 437	355 569
Change in cash and cash equivalents of restricted use	19	2 951	271 990
Income tax paid	37	(185 821)	(308 894)
NET CASH FLOW FROM OPERATING ACTIVITIES		**1 427 766**	**765 445**

(all amounts are expressed in PLN thousand)

Consolidated statement of cash flows (cont.)

	Note	Year ended 31 December 2022	2021
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of intangible assets and property, plant and equipment		8 631	20 665
Purchase of intangible assets and property, plant and equipment		(125 190)	(104 505)
Acquisition of subsidiaries	7	(32 896)	-
Granting an advance for the purchase of shares	7	-	(3 675)
Deferred payment for shares in subsidiaries	15.4	(17 700)	-
Proceeds from the sale of a subsidiary		-	918 434
Increase in/ contribution to equity of non-consolidated entities	15.3	(626)	(3 894)
Loans granted	15.1	(1 910)	-
Dividends received	14	-	18
NET CASH FLOW FROM/ (USED IN) INVESTING ACTIVITIES		**(169 691)**	**827 043**
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of loans and borrowings		(9 664)	(9 560)
Dividends paid to the shareholders of the Parent	36	(599 191)	(806 750)
Dividends paid to non-controlling shareholders	21; 23	(14 137)	(11 004)
Payments of lease liabilities	41	(89 874)	(152 975)
Interest paid		(9 256)	(7 253)
Other financial expenditure		1 206	(837)
NET CASH (USED IN) FINANCING ACTIVITIES		**(720 916)**	**(988 379)**
TOTAL NET CASH FLOW		**537 159**	**604 109**
Foreign exchange differences on cash and cash equivalents, net		(634)	(722)
CASH AND CASH EQUIVALENTS - OPENING BALANCE	**19**	**2 684 885**	**2 081 498**
CASH AND CASH EQUIVALENTS - CLOSING BALANCE	**19**	**3 221 410**	**2 684 885**
Cash and cash equivalents of disposable groups		-	-
TOTAL CASH AND CASH EQUIVALENTS OF THE GROUP		**3 221 410**	**2 684 885**

Notes to the consolidated financial statements

1. General information

The parent company of the Budimex Group (hereinafter the "Group") is Budimex SA (the "Parent Company", the "Company" or the "Parent") with its registered office in Poland, Warsaw, ul. Siedmiogrodzka 9, a joint stock company entered in the Register of Entrepreneurs kept by the District Court for the capital city of Warsaw, 13th Economic Department of the National Court Register under entry KRS No. 1764.

The main scope of the Parent Company's business activities are broadly understood construction and assembly services, and rendering management and advisory services to other companies in the Budimex Group. The industry branch in which the Parent Company operates was classified by the Warsaw Stock Exchange as general construction.

The main area of Group business activities are broadly understood construction and assembly services rendered under the system of general contracting at home and abroad, and production and service rendering activities. Apart from the construction business, Budimex SA serves in the Group as an advisory, management and financial centre. These three functions are aimed at securing:

- efficient flow of information within Group structures,
- strengthening the efficiency of cash and financial management of individual Group companies,
- strengthening market position of the Group as a whole.

The Parent Company and other Group companies have an unlimited period of operation. The Parent Company did not change its name during 2022.

The Budimex Group operates as part of the Ferrovial Group with Ferrovial SA with its registered office in Madrid, Spain, as its ultimate parent company. The immediate parent company is Ferrovial Construction International SE with its registered office in Amsterdam, the Netherlands.

These consolidated financial statements were authorized by the Management Board of the Parent Company on 27 March 2023.

Changes in the composition of the Parent Company's Management Board were presented in the Directors' Report on the activities of Budimex Group for 2022.

2. Going concern assumption

The consolidated financial statements of the Group for the year 2022 were prepared on the assumption that the Group companies will continue as going concerns in the foreseeable future. As at the date of signing these consolidated financial statements, the Management Board of the Parent Company is not aware of any facts or circumstances that would indicate any threat to the main Group companies' continued activities after the reporting date due to an intended or compulsory withdrawal from or a significant limitation in their activities.

The Budimex Group companies did not conduct in 2022, do not conduct at the time of the preparation of these consolidated financial statements and do not intend to conduct any operating activities in Ukraine, Belarus and Russia. Thus, the armed conflict that began on 24 February 2022 does not have any significant impact on the going concern assumption on a similar scale within 12 months after the reporting date, nor does it constitute an indication of impairment of the Group companies' assets.

3. Key accounting policies

The main accounting policies applied during the course of the preparation of these consolidated financial statements are presented below. These accounting policies were applied consistently in all the periods presented, except for the application of the amended standards applicable to annual periods beginning on or after 1 January 2022.

3.1 Basis of preparing consolidated financial statements and statement of compliance

These consolidated financial statements for the year ended 31 December 2022 were prepared in accordance with International Financial Reporting Standards ("IFRS") endorsed by the European Union ("EU") and binding as at the reporting date of these consolidated financial statements**.**

Amendments to International Financial Reporting Standards applied for the first time in 2022

The Group applied for the first time the following amendments to IFRSs:

- Amendments to IFRS 3 „Business combinations", IAS 16 „Property, plant and equipment" and IAS 37 „Provisions, Contingent Liabilities and Contingent Assets", Annual Improvements to IFRSs (Cycle 2018-2020)

The above Amendments to the Standards did not have any material impact on the Group's accounting policy applied so far.

Standards and amendments to Standards that were issued, but have not yet become effective

In authorizing these consolidated financial statements, the Group *did not* apply the following standards and amendments to other standards that were issued and endorsed for use in the EU, but which have not yet become effective:

- Amendments to IAS 1 „Presentation of Financial Statements" and IFRS Practice Statements 2: "Disclosure of Accounting Policies" (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 8 „Accounting Policies, Changes in Accounting Estimates and Errors" (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 12 „Income Taxes" - „Deferred Tax Related to Assets and Liabilities Arising From a Single Transaction" (effective for annual periods beginning on or after 1 January 2023),
- IFRS 17 „Insurance contracts" and Amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023).
- Amendments to IFRS 17 „Insurance Contracts" - "Initial Application of IFRS 17 and IFRS 9 - Comparative Information" (effective for annual periods beginning on or after 1 January 2023).

Standards and Amendments to Standards adopted by the IASB, but not yet endorsed by the EU

The IFRSs endorsed by the EU do not currently differ materially from regulations adopted by the International Accounting Standards Board (IASB), except for the below Standards and Amendments to Standards, which as at the date of the preparation of these consolidated financial statements were not yet adopted for use:

- IFRS 14 „Regulatory Deferral Accounts" – according to the decision of the European Union, standard endorsement process in its draft form will not be initiated before publication of standard's final version (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IFRS 10 „Consolidated Financial Statements" and IAS 28 „Investments in Associates and Joint Ventures" – "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" – work leading to the endorsement of these changes was postponed by the EU indefinitely – the date of amendments becoming effective was indefinitely deferred by the IASB,
- Amendments to IAS 1 „Presentation of Financial Statements" – "Classification of Liabilities as Current or Non-current", "Classification of Liabilities as Current or Non-current — Deferral of Effective Date" and "Non-Current Liabilities with Covenants" (effective for annual periods beginning on or after 1 January 2024),
- Amendments to IFRS 16 „Leases" – "Lease Liability in a Sale and Leaseback" (effective for annual periods beginning on or after 1 January 2024).

The above Standards and Amendments to Standards would not have any material impact on the consolidated financial statements, had they been applied by the Group at the reporting date.

The consolidated financial statements were prepared under the historical cost convention, except for the hyperinflation adjustment described in note 20 and except for certain financial instruments measured at fair value at the end of each reporting period in accordance with the accounting policy described below.

In principle, historical cost is determined based on the fair value of the payment for goods or services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction on the principal (or the most advantageous) market at the measurement date and under current market conditions, irrespective of whether the price is directly observable or estimated using another valuation technique. When re-measuring an asset or a liability to fair value, the Group takes into account factors specific to the asset or liability, provided such factors are considered by market participants at asset or liability measurement date. For the purpose of measurement and/or disclosure in the consolidated financial statements of the Group, fair value is defined on the above basis, except for share-based payments which are within the scope of IFRS 2, lease transactions which are within the scope of MSSF 16, as well as measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

The Group classifies fair value measurements using the following fair value hierarchy that reflects the significance of a particular input to the entire measurement:

- Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 inputs: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices),
- Level 3 inputs: input data for the asset or liability that are not based on observable market data (i.e. unobservable source data).

3.2 Principles of consolidation

Subsidiary companies

The consolidated financial statements comprise the financial statements of the Parent Company and the financial statements of the entities controlled by the Parent Company prepared as at the reporting date. Control takes place where the Parent Company controls the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiary companies are subject to full consolidation from the date the Group obtains control over them until such time as the control ends. Comprehensive income of subsidiary companies is attributable to the owners of the Parent Company and to non-controlling interests, even if such attribution results in a deficit balance of non-controlling interests.

The financial statements of subsidiary companies are prepared for the same reporting period as the financial statements of the Parent Company using uniform accounting policies for like transactions and other events in similar circumstances.

Consolidation procedure

The following policies were observed while performing full consolidation of subsidiary companies:

- all like items of assets and liabilities of subsidiary companies and the Parent Company were combined in full amounts, irrespective of the share (interest) of the Parent Company in those assets and liabilities,
- all like items of revenues and expenses of subsidiary companies and the Parent Company were combined in full amounts, irrespective of the ownership share of the Parent Company of (interest in) the given subsidiary (i.e. irrespective of the Parent's interest in the given subsidiary),
- consolidation adjustments and exclusions were made after data combining.

The following were excluded from the consolidated financial statements:

- equity of subsidiary companies that originated prior to obtaining control over those entities,
- value of shares in the subsidiary companies held by the Parent Company or other entities consolidated by subsidiaries,
- intra-Group receivables and liabilities and other similar settlements of the entities included in consolidation,
- revenues and costs arising from business operations between entities included in consolidation,
- unrealised, from the point of view of the Group, gains from operations between entities included in consolidation, and included in the value of consolidated assets and liabilities, as well as unrealised losses, unless the transaction proves the impairment of the asset acquired,
- dividends accrued or paid by subsidiary companies to the Parent Company or to other entities subject to consolidation.

The consolidated net result is allocated to the shareholders of the Parent Company and to non-controlling interests.

Associates

An associate is an entity over which the Parent Company has significant influence and which is not a subsidiary of the investor or a joint arrangement of the investor. Significant influence means the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

Investments (shares) in associates are measured using the equity method, except where the investment is classified as held for sale. Investments in associates are stated at acquisition cost after considering changes in the Group's share in net assets of the company that occurred until the reporting date, less impairment of individual investments. Losses of associates in excess of the Group's investment in the associate are *not* recognised, insofar as there is no commitment by the Parent to absorb losses or to make payment on behalf of the associate.

Any excess of acquisition cost above the Group's share of the fair value of net identifiable assets (inclusive of contingent liabilities) of an associate at acquisition date is recognised as goodwill, and increases the value of the investment in associate. Where the acquisition cost is lower than the Group's share of the fair value of net identifiable assets (inclusive of contingent liabilities) of an associate at acquisition date, the difference is recognised as gain at the time of establishing Group's share in the associate's profit or loss for the period in which the acquisition took place.

Joint arrangements

The Group's share in joint arrangements depends on joint arrangement classification. Where a joint arrangement is classified as:

- joint operation - (registered partnerships, civil law partnerships – where the partners have right to their share in the assets and obligations for the liabilities relating to the arrangement) – the Group recognises its assets and liabilities (including share in the assets and liabilities held/incurred jointly) and its share in revenues and costs of a joint operation,
- joint venture (companies – where shareholders have right to company's net assets) – the Group recognises its share using the equity method.

Transactions with non-controlling interests without control change effect

Transactions with non-controlling interests without control change effect are recorded in correspondence with equity.

Acquisitions of entities

The acquisition of control over an entity by the Group, including over a jointly controlled entity within the Ferrovial Group, is accounted for using the purchase/ acquisition method

The consideration transferred in a business combination transaction is measured at fair value and is calculated as the sum of the acquisition-date fair value of assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity instruments issued by the Group in exchange for obtaining control over the acquiree. Acquisition related costs are recognised in the profit or loss when incurred.

At acquisition date, the identifiable assets and liabilities are measured at fair value, except for the following:

- assets and liabilities from deferred income tax or related to employee benefit arrangements are recognised and measured in accordance with IAS 12 “Income Tax” and IAS 19 “Employee Benefits”,
- liabilities or equity instruments relating to share-based payment programs operated by the acquiree or the Group that are to replace similar arrangements operated by the acquiree are measured in accordance with IFRS 2 "Share-based Payment" at the acquisition date, and
- acquired non-current assets (or disposable groups) classified as held for sale at the acquisition date are measured in accordance with the requirements of IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations".

Goodwill is recognised as the excess between the aggregate of the consideration transferred, any non-controlling interests in the acquired entity (acquiree) and the acquisition-date fair value of the acquirer’s previously held equity interest (shares) in the acquiree, and the net identifiable assets acquired and liabilities assumed. If after another testing, the acquisition-date net value of identifiable assets and liabilities exceeds the aggregate of the consideration transferred, any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer’s previously held equity interest in the acquiree, the surplus is recognised directly in profit or loss as gain from a bargain purchase.

Non-controlling interests (NCIs) that represent ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of entity’s liquidation are initially measured at either fair value or the NCI’s proportionate share of net identifiable assets of the acquiree. Measurement method is selected by the Group on a transaction by transaction basis.

If the consideration paid in business acquisition includes any contingent asset or contingent liability, the contingent consideration is measured at the acquisition-date fair value and is recognised as part of the consideration transferred in business acquisition transaction. Changes in the fair value of a contingent consideration representing measurement period adjustments are recognised retrospectively in correspondence with appropriate goodwill adjustments. Measurement period adjustments are the adjustments that arise from obtaining additional information on the “measurement period” (which cannot be longer than one year from the acquisition date) about the facts and circumstances that existed at the acquisition date.

Changes in the fair value of contingent consideration which do not qualify as measurement period adjustments are accounted for depending on the classification of the contingent consideration. If the contingent consideration is classified as an equity instrument, the original amount is not re-measured and its subsequent settlement is accounted for within equity. The contingent consideration classified as an asset or liability is measured at fair value and any resultant gains or losses are recognised in profit or loss.

In case of a business combination achieved in stages, the Group re-measures its previously held equity interest in the acquiree to the acquisition-date fair value and recognises the resulting gain or loss in profit or loss. Any amounts arising from equity interest in the acquiree in prior reporting periods and recognised in other comprehensive income are taken to profit or loss, if such treatment would be correct upon equity interest disposal.

If the initial accounting for business combination is not complete by the end of the reporting period in which the combination occurs, the Group reports in its financial statements provisional amounts for the items, for which the accounting is incomplete. During the measurement period, the Group retrospectively adjusts the provisional amounts recognised at the acquisition date (see above) or recognises additional assets or liabilities to reflect new information obtained about facts and circumstances that existed as of the acquisition date, which, if known, would affect the amounts recognised as at that date.

Loss of control

Where the Group loses control of a subsidiary, assets or liabilities of a former subsidiary are de-recognised from the consolidated statement of financial position and any resulting gain or loss is recognised in profit or loss as a difference between:

- the sum total of the fair value of the consideration received and fair value of the investment retained, and
- the carrying amount of assets (including goodwill) and liabilities of the subsidiary.

At the date of loss of control, the fair value of an investment retained in the former subsidiary is treated as fair value upon investment initial recognition, which is subsequently accounted for in accordance with IFRS 9 "Financial Instruments", or is treated as cost upon initial recognition of an investment in an associate or jointly controlled entity.

3.3 Foreign currency transactions and valuation of foreign currency items

Functional and presentation currency

Items recognised in the financial statements of individual Group entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements of the Group are presented in Polish zloty, which is the functional and presentation currency of the Parent Company. Figures in the financial statements are rounded up to the nearest PLN thousand, unless otherwise stated in specific cases.

Transactions and balances

Foreign currency transactions are initially stated in the functional currency; for translation of foreign currency balances into functional currency, spot exchange rate prevailing on the transaction date is used.

At each reporting date:

- monetary items expressed in foreign currency are translated using the closing rate,
- non-monetary items stated at historical purchase price or at cost of production expressed in foreign currency are translated using the exchange rate prevailing on the transaction date,
- non-monetary items stated at fair value expressed in foreign currency are translated using the exchange rates prevailing on the date, on which the fair value was determined.

Foreign exchange differences relating to foreign currency assets and liabilities that originated on the date of assets and liabilities measurement, on settlement of foreign currency receivables and payables as well as on sale of currencies are included under finance income or finance costs, as appropriate. For non-monetary items measured at fair value, if gains or losses on re-measurement to fair value are recognised in equity, exchange differences are also recognised in equity. On the other hand, if gains or losses from re-measurement to fair value are recognized in the profit and loss account, exchange differences are recognised in the same way i.e. in the profit and loss account.

Foreign operations of subsidiaries and subsidiaries with different functional currencies

The financial result, assets, equity and liabilities of foreign operations of Group entities as well as those of the Group subsidiaries with a functional currency other than that of the Parent Company (provided their functional currency is not the currency of a hyperinflationary economy) are translated into Polish zloty as follows:

- assets and liabilities are translated at the closing rate prevailing at the reporting date,
- revenues and expenses are translated at a rate representing the arithmetic mean of the average rates of the National Bank of Poland prevailing on the last day of each completed month of the period from 1 January to 31 December of each year,
- all resultant exchange differences are recognised as a separate component of other comprehensive income, and accumulated as an item of equity under "Cumulative translation differences".

In the event of disposal of a foreign operation, the cumulative amount of deferred foreign exchange differences recognised as a separate item of equity is recognised in the financial result upon recognition of profit or loss on disposal of this entity.

3.4 Property, plant and equipment

Property, plant and equipment are stated at cost or cost of production less accumulated depreciation and impairment losses. Land is stated at cost less accumulated impairment losses.

Property, plant and equipment, except for land, are depreciated in the manner reflecting the pattern of consumption of economic benefits of specific items, using the straight-line or the natural method, so as to spread their initial cost reduced by residual value over the period of their estimated useful lives. Depreciation starts when a given item of property, plant and equipment is available for use. The useful lives of the Group's property, plant and equipment are as follows:

• right-of-use asset – perpetual usufruct right to land	2 – 99 years
• own buildings and constructions	2 – 67 years
• right-of-use asset – buildings and constructions	2 - 10 years
• own plant and machinery	2 – 30 years
• right-of-use-asset – plant and machinery	2 – 25 years
• own means of transport	2 – 17 years
• right-of-use asset - means of transport	2 – 17 years
• own other [tangible] fixed assets	2 – 17 years
• right-of-use asset - other [tangible] fixed assets	2 – 7 years
• waste landfills	natural method

A separate item of property, plant and equipment is recognised only when it is probable that an inflow of economic benefits attributable to this item will flow to Group companies and the cost or cost of production of the item can be reliably measured. Any subsequent expenditure incurred to increase the usefulness of assets item, to replace asset component or renew it is included in the carrying amount of the given item. Other costs incurred since the initial recognition such as costs of repair, overhaul or operating fees affect the financial result for the reporting period, in which they were incurred, except for the significant costs of general overhauls which are recognised in the carrying amount of (capitalised in) the appropriate item of property, plant and equipment.

The residual value and useful lives of property, plant and equipment are verified at least once a year and adjusted if the expectations differ from previous estimates. Where the carrying amount of a given item of property, plant and equipment exceeds its estimated recoverable amount, the carrying amount is written down to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by way of comparing sale proceeds and assets carrying amount and are recognised in the profit or loss.

Construction in progress

Construction-in-progress is stated at the amount of aggregate costs directly attributable to the acquisition or production of such assets, including financing costs, less any impairment losses. Construction-in-progress is not depreciated until completed and brought into use.

Prepayments for construction in progress are presented under property, plant and equipment.

3.5 Intangible assets

Intangible assets are recognised if it is probable that the future economic benefits that are directly attributable to the assets will flow to the Group companies and that the acquisition cost or cost of development of an intangible asset can be reliably measured.

Initially, intangible assets are stated at cost or cost of development. Following initial recognition, intangible assets are stated at cost or cost of development less accumulated amortisation and accumulated impairment losses, if any.

Intangible assets are amortized in the manner reflecting the pattern of consumption of economic benefits from those assets (using the straight-line or the natural method) over their estimated useful lives. The expected useful lives of the Group's intangible assets are as follows:

- development costs 2 years
- software 2 – 10 years
- waste processing permit 14 – 22 years
- right to waste landfilling natural method.

The estimated useful lives and the amortisation method are subject to review at the end of each financial year and the results of changes in estimates are accounted for prospectively.

Prepayments for the purchase of intangible assets are presented under the reporting line of intangible assets.

3.6 Long-term assets (disposal groups) classified as held for sale

Included in this group are non-current assets (or disposal groups) provided their carrying amount will be recovered through disposal rather than through their further use.

Non-current assets (or disposal groups) are measured at the lower of carrying amount and fair value less selling expenses. The fair value of non-current assets (disposal groups) classified as held for sale is determined in accordance with IFRS 13. When fixed assets are classified as assets held for sale (disposal groups), their depreciation is suspended.

3.7 Goodwill of subordinated entities

Goodwill is the excess of the aggregate of:

- the consideration transferred measured at acquisition-date fair value;
- contingent consideration, measured at acquisition-date fair value;
- the amount of any non-controlling interest in the acquiree measured either at its fair value or at its proportionate interest in the net identifiable assets;
- in a business combination achieved in stages, measured at acquisition-date fair value of the acquirer's interest previously held in the acquired entity;

over the fair value of net identifiable assets at the acquisition date, including exceptions provided in IFRS 3.

Goodwill recognised in a business combination is an asset that represents future economic benefits arising from other assets acquired in a business combination that cannot be individually identified or separately recognised.

Goodwill is not amortized, but is tested for impairment at least once a year and reported in the statement of financial position at cost less accumulated impairment losses. Any impairment loss is recognised immediately in the profit and loss account and is not reversed in the subsequent reporting periods.

For impairment testing purposes, goodwill is allocated to cash generating units. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. If the activities belonging to a cash generating unit to which the goodwill was allocated are to be disposed of, then the goodwill allocated to the activities disposed of is accounted for when determining gain or loss on sale.

Goodwill that originated prior to transitioning to IFRSs was recognised at the value determined using the previously applied accounting policies and was tested for impairment at the date of transitioning to IFRSs.

3.8 Borrowing costs

Borrowing costs comprise interest calculated using the effective interest rate method, finance charges under lease agreements and foreign exchange differences arising from external financing to the amount matching interest expense adjustment.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost or cost of production of that asset until such asset is substantially ready for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

As at 31 December 2021 and as at 31 December 2022 there were no borrowing costs capitalized in the value of property, plant and equipment or intangible assets.

3.9 Accounting for lease by lessee

At inception of a contract, the Group companies make an assessment whether the contract contains a lease. A contract is a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the commencement date of a lease, the Group companies recognise a right-of-use asset and, as a corresponding entry, a lease liability.

At lease commencement date, the right-of-use asset is measured at cost, which comprises the amount of the initial measurement of lease liability, increased by:

- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee;
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset/ restoring the site on which it was located or restoring the underlying asset required by the terms and conditions of the lease.

After the commencement date, the right-of-use asset is depreciated and assessed to determine whether it is impaired in accordance with IAS 36. The value of the right-of-use asset is subject to adjustment if the lease liability, as a corresponding entry, has been re-measured as a result of a change in the previously fixed lease instalments or as a result of a change or reassessment of the lease.

At the commencement date, the lease liability is measured at the present value of lease payments outstanding at that date. Lease payments are discounted using the incremental borrowing rate calculated for the Group company as the lessee.

After the commencement date, lease liability is increased by accrued interest and reduced by paid lease payments. As stated above, the value of lease liability may be remeasured as a result of lease change or reassessment, or as a result of change in the previously fixed lease instalments (index or rate).

Presentation

The Group decided to account for the right-of-use assets in the same reporting line item, in which said assets would be presented had they been owned by the lessee. This means that the right-of-use assets were presented under property, plant and equipment (contracts of rent/ hire/ lease of office space, plots of land used temporarily as construction sites, passenger and heavy goods (commercial) vehicles and the right of perpetual usufruct of land used for the Company's own needs). Lease liabilities were presented under „Loans, borrowings and other external sources of finance", and the value of lease liabilities was disclosed in the notes to the consolidated financial statements.

Right to perpetual usufruct of land vs IFRS 16

Based on the general definition of a lease, the Group companies determined that the perpetual usufruct right to land, under IFRS 16 meets the definition of a lease and thus should be recognised in the statement of financial position as a right-of-use asset. As regards the right of perpetual usufruct used for the Group companies' own needs, it is recognized under tangible fixed assets, is subject to depreciation, and interest on the liability from lease of right of perpetual usufruct is charged to finance costs of the Group. As a corresponding entry, Group companies recognise a long- or short-term lease liability, as appropriate.

Maximum period of payment of perpetual usufruct fee

In accordance with IFRS 16, the Group companies must recognise lease liabilities as the present value of lease payments for the entire period of lease-term. In the case of rights of perpetual usufruct, it may be the period of even 99 years.

3.10 Impairment of non-financial assets

An assessment is made by the Group companies at each reporting date to determine whether there is any objective evidence that a non-financial asset or a group of such assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and an impairment loss is recognised for the difference between the recoverable amount and the carrying amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The latter corresponds to the present value of estimated future cash flows discounted using the pre-tax discount rate, which includes the current market assessment of the time value of money and the risk specific to a given item of assets.

For the purpose of impairment testing, assets are grouped on the lowest possible level, on which identifiable separate cash flows (cash generating units) occur. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows generated by other assets or groups of assets.

Impairment losses are recognised in the profit and loss account.

If a previously recognised impairment loss is reversed, the net carrying amount of an asset (or a cash generating unit) is increased to a new estimated recoverable amount. That increased amount cannot, however, exceed the total of the carrying amount of this asset that would have been determined, had no impairment loss been recognised for the asset (cash generating unit) in prior years. Such reversal is recognised immediately in the profit or loss.

3.11 Inventories

Inventories [stocks of tangible current assets] comprise raw materials, goods for resale, work in progress and finished goods. In classifying inventory items to individual categories, the following policies are applied by the Company:

- Raw materials – represent items kept in warehouses that are to be used in production processes, especially to be consumed in construction activities and on road maintenance contracts,
- Work in progress – represents general purpose and low processed inventory items which are stored on construction sites and which can be easily and without incurring significant costs used for other construction projects or sold (if considered unnecessary for the performance of a given contract),
- Goods for resale – inventory items purchased for re-sale purposes,
- Finished goods – internally developed goods for which the process of development was completed.

Materials and other items purchased or developed specifically for the implementation of a given contract, whose disposal or straightforward use for other construction projects is not certain are recognised directly in contract costs.

Inventories are measured at the lower of cost or cost of production and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, net of VAT and excise taxes, less any rebates, discounts, less the estimated cost of completion and the estimated costs necessary to make the sale.

Issues/ decreases of raw materials are measured at cost determined as the weighted average price of raw materials. Issues/ decreases of goods for resale are measured at cost determined on the "first in – first out" basis, while those of the work in progress and finished goods – at the cost of direct materials and labour and an appropriate proportion of manufacturing overheads based on normal operating capacity.

Prepayments for the purchase of inventory items are presented under short-term receivables.

3.12 Cash and cash equivalents

Cash on hand and cash at bank is carried at nominal value.

"Cash and cash equivalents" presented in the statement of cash flows comprise cash on hand, a-vista deposits and these bank deposits (with a maturity date of up to 6 months) which can easily be changed into known amount of cash and which incur insignificant risk of price fluctuations.

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

- security for bank guarantees,
- funds accumulated on split payment accounts,
- funds on escrow and current accounts in the part due to the contractors realizing construction contracts together with a Group company.

The Group recognises cash of restricted use in the statement of financial position under cash and cash equivalents, while for the purpose of the statement of cash flows – the balance of cash at the beginning and at the end of the reporting period is reduced by cash of restricted use, and change in its balance is recognised under cash flow from operating activities.

3.13 Financial instruments

Classification and measurement

A financial asset is any asset that belongs to the following categories:

- cash and cash equivalents,
- equity instruments of other entities,
- contractual right:
  - to receive cash or other financial assets from another entity, or
  - to exchange financial assets or financial liabilities with other entity under conditions that are potentially favourable to the Budimex Group entities,
- a contract that will or may be settled in the entity's own instruments and is:
  - a non-derivative instrument for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments, or
  - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity' own equity instruments.

A financial liability is any liability that is:

- a contractual obligation:
  - to deliver cash or another financial asset to another entity; or
  - to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
- a contract that will or may be settled in the entity's own equity instruments and is:
  - a non-derivative for which a Budimex Group entity is or may be obliged to accept a variable number of own equity instruments; or
  - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Budimex Group entity's own equity instruments.

Financial assets and financial liabilities are recognised when a Budimex Group entity becomes a party to a binding contract.

Initially financial assets are measured at fair value (the initial cost of the financial assets and financial liabilities subsequently measured at amortized cost is adjusted for transaction costs).

Trade receivables which do not contain any significant financing component (within the meaning of IFRS 15) are initially stated at their transaction price.

The classification of financial assets is based on the business model of the Budimex Group companies for managing the financial assets and based on the characteristics of contractual cash flows for a given financial asset.

In the periods following the initial recognition, financial assets are measured at:

- amortized cost,
- fair value through other comprehensive income (FVOCI),
- fair value through profit or loss(FVPL).

A financial asset is recognised at amortized cost, if:

- it is held in accordance with the business model whose objective is to collect contractual cash flows ("hold to collect business model"), and
- the contractual cash flows of an asset give rise to payments on specified dates that are solely payments of principal, and interest ("SPPI") on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income (FVOCI), if:

- it is held in accordance with the business model whose objective is both to collect contractual cash flows and to sell the financial asset, and
- the contractual cash flows of an asset give rise to payments on specified dates that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

In addition, the Budimex Group entity is entitled to irrevocably determine a non-tradable investment in equity instruments, which, upon initial recognition, was measured at fair value through other comprehensive income (FVOCI) (otherwise, such investment would be measured at fair value through profit or loss (FVPL)). The amounts accumulated in other comprehensive income shall not be reclassified to the profit or loss, even upon de-recognition from the statement of financial position. Such investment is a non-monetary item. If the investment is denominated in a foreign currency, the exchange differences are recognized in other comprehensive income. Dividends, on the other hand, are recognized in the profit and loss account.

In all other cases, a financial asset is measured at fair value through profit or loss (FVPL).

Trade receivables arising from executed construction contracts or made inventory prepayments (but not classified as financial instruments) are recognised as current receivables, since it is expected that these will be settled during the course of a normal operating cycle of the entity.

Receivables from retentions for construction contracts and loans with a maturity of less than 12 months are recognised as current assets. Long-term liabilities arising from retentions for construction contracts are discounted to the present value using the effective interest rate.

Assets are derecognised when the contractual rights to the underlying cash flow expired or were transferred, and the transfer was made of substantially all of the risks and rewards of the ownership of the assets.

Revenue from interest on financial assets (measured, as appropriate, at amortized cost, FVPL or FVOCI) is recognised under finance income.

After initial recognition, all financial liabilities which are measured at amortized cost, except for financial liabilities that are classified as at fair through profit or loss (meeting definition of held for trading), are measured at fair value.

The special sub-category of financial assets and financial liabilities held for trading are derivative financial instruments. Transactions involving derivative financial instruments are made by Group companies to hedge cash flows against FX and interest rate risks.

At the reporting date, derivative financial instruments are measured at reliably determined fair value. The fair value of derivative financial instruments is assessed using the model which is based, among others, on currency exchange rates (closing rates) prevailing at the reporting date or on differences in interest rate levels of the quotation and base currencies.

The effects of periodic valuation of derivatives hedging foreign currency construction contracts against the risk of FX fluctuations as well as gains and losses determined at their settlement date are reported in the profit and loss account under "Other operating income (expenses)" as part of operating activity.

The effects of periodic valuation of derivatives hedging the items of financing activities against the risk of interest rate or FX fluctuations as well as gains and losses determined at their settlement date are reported in the profit and loss account under "Finance income (finance costs)" as part of financing activity.

The Budimex Group companies do not apply hedge accounting.

As regards transactions on the money, equity or derivatives markets, the Group companies cooperate with prime banks, without causing significant credit risk concentration in the process.

Impairment of financial assets

The Budimex Group companies recognise an allowance for expected credit losses (ECL allowance). Credit losses are a difference between all cash flows due and receivable under the given contract and the cash flows that are actually expected, after considering any shortages (i.e. default payment). If the financial assets covered by the impairment write-down are long-term, then the ECL allowance is discounted using the original effective interest rate (i.e. the interest rate prevailing at the time of asset recognition).

Amount of expected credit loss allowance

Where the financial assets are covered by IFRS 15 (i.e. trade receivables, retentions for construction contracts, valuation of construction contracts and receivables from concession contracts), the Budimex Group company measures the amount of lifetime ECL allowance of the given financial asset.

Where the financial assets are *not* covered by IFRS 15 (i.e. investments in equity instruments, loans granted and other financial assets not measured at fair value), credit losses are estimated for the entire estimated lifetime of the given financial asset, if credit risk related to the given financial asset significantly increased from the time of asset's initial recognition. If credit risk did not significantly increase from the asset's initial recognition, the ECL allowance is recognized at the amount of the 12-month expected credit losses (12-month ECL).

In the case of financial assets *not covered* by IFRS 15, if a Budimex Group entity initially recognised the lifetime ECL allowance for a financial asset and then at the following reporting date ascertained that the related credit risk *was no longer* significantly higher, the entity re-measures the lifetime ECL allowance to the amount of 12-month expected credit losses.

3.14 Equity

Equity

Issued capital comprises ordinary shares and is recorded at nominal value (consistently with the provisions of the Parent Company's Articles of Association and entry in the National Court Register) adjusted by the effects of hyperinflation for the period, in which Polish economy was hyperinflationary.

Share premium represents a difference between the price for which Parent Company's shares were taken up and their nominal value. It was adjusted by the effects of hyperinflation for the period, in which Polish economy was hyperinflationary.

Other reserves include the costs of the share-based payment scheme operated by Ferrovial SA (note 3.16), actuarial gains/(losses) on retirement and similar benefit liabilities, reserve capital and revaluation reserves created in accordance with the requirements of the relevant laws.

Cumulative translation differences comprise the effect of translation of the financial statements of foreign operations of the Group (foreign companies and foreign branches) from foreign currencies to Polish zloty (PLN).

Retained earnings (losses) include the net result of the current financial year, retained profits/(losses) constituting other reserves (in accordance with the decision of the shareholders of the companies on such distribution of profit or loss), retained profits/(losses) constituting reserve capital (in excess of statutory amounts) and consolidation adjustments with an impact on the result of previous years.

Equity attributable to non-controlling interests

Equity attributable to non-controlling interests is the part of equity of a subsidiary consolidated using the full method, which is attributable to the shareholders other than those of the entities belonging to the Group.

Net profit (loss) of a subsidiary in the part belonging to the shareholders other than the entities belonging to the Group represents gain/ (loss) of non-controlling interests.

3.15 Employee benefits

Group entities operate retirement benefits/ pension plan programs (and selected Group companies – programs of posthumous benefits) and to this end create provisions for the present value of their underlying liabilities. Payments under these programs are expensed to the profit or loss so as to ensure that the costs of those benefits are spread over employees' entire working lives at the companies. The amount of the provision is determined by an independent actuary using the projected unit credit method. Actuarial gains and losses on post-employment benefits are recognised in other comprehensive income and are not transferrable to profit or loss.

Future benefits and allowances for Group employees are not funded as no separate fund is recognised for this purpose.

3.16 Share-based payments

Ferrovial SA, the ultimate parent company, operates own equity-settled, share-based compensation plan under which employees of the Group render services to the Parent Company and its subsidiaries in exchange for equity instruments of Ferrovial SA. In accordance with IFRS 2, the fair value of employee services provided in exchange for equity awards of Ferrovial SA in the years 2010-2013 was recognised in the consolidated financial statements as an expense with a corresponding increase in equity, over the period in which vesting conditions are fulfilled (vesting period). The fair value of employee services is indirectly measured by reference to the fair value of awarded equity instruments determined at the grant date. Vesting conditions, other than market conditions, are taken into account by adjusting the number of equity instruments included in the measurement of the entire transaction so that, ultimately, the cost of services received is based on the number of equity instruments that are expected to vest.

Pursuant to an agreement with the Ferrovial Group concluded in 2014, the Budimex Group companies undertook to cover program costs with respect to the tranche of equity instruments granted in 2014 and in the ensuing years. Therefore, the fair value of employee services related to equity instruments granted in 2014 and in the ensuing years was classified as liabilities (with a corresponding cost entry).

3.17 Provisions

The Budimex Group entities create provisions for future liabilities, the maturity or amount of which are not certain. Provisions are recognised when:

- the company has a present obligation (legal or constructive) as a result of a past event, and
- it is highly probable that settlement of this obligation will result in an outflow of resources embodying economic benefits, and
- a reliable estimate can be made of the amount of this obligation.

The Group entities create provisions for the costs of future warranty repairs because they are required to provide warranty for their construction and maintenance services rendered. For construction contracts, the amount of warranty provision is linked to particular construction and services segments and ranges from 0.3% to 1.5% of revenue from a given contract. In the case of maintenance contracts, the amount of the provision depends on the length of the guarantee period and ranges from 0.3% to 0.8% of sales recognized during the sales period. This value is assessed on an individual basis and in justified cases may be increased or decreased. The costs of future warranty repairs are recognised in the cost of goods sold.

The Group companies create provisions for penalties and compensations where it is highly probable that a penalty may be imposed. Created or released provisions for penalties from the investor adjust the amount of sales revenue. On the other hand, created or released provisions for penalties from other entities are recognized as other operating expenses or other operating income, respectively. Where the provision for penalties from entities other than the investor is created and released in the same financial year, the release of the provision is recognized as a decrease in other operating expenses.

The Group companies conducting waste management activity also create provisions for reclamation and provisions for the marshal's fee (in note 25 presented as "other provisions").

The provision for reclamation is created on the basis of calculations which take account of the tonnage of stored waste and aims to build a reclamation fund to cover the costs of reclamation/ rehabilitation during the lifetime of the landfills, as well as 30 years after their closure. The costs of establishing provision for reclamation are recognized in the costs of the products sold.

The provision for the marshal's fee is created during the financial year as the product of the amount of landfilled waste and unit rates assigned to specific codes of landfilled waste. The fee itself is settled by 31 March of the year following the year to which the fee relates and in which the waste was stored. The costs of establishing provision for reclamation are recognized in the costs of the products sold.

3.18 Recognition of revenues and expenses

Sales revenue is recognised using the policies described in note 3.19, 3.20 and note 30.2 below.

Interest income is recorded on a cumulative basis with respect to the principal amount due, using the effective interest rate method.

Dividend income is recognised upon determining shareholder right to receive payment.

3.19 Revenue from contracts with customers

Revenue from contracts with customers is recognised only if all of the below conditions have been fulfilled:

- the parties to the contract have approved the contract and are committed to perform their respective obligations,
- Group company can identify each party's rights regarding the goods or services to be transferred,
- Group company can identify the payment terms for the goods or services to be transferred,
- the contract has commercial substance, and
- it is probable that the Group company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

The Group companies combine two or more contracts entered into at or near the same time with the same customer (or related parties of the customer) and account for the contracts as a single contract if one or more of the following criteria are met:

- the contracts are negotiated as a package with a single commercial objective;
- the amount of consideration to be paid in one contract depends on the price or performance of the other contract; or
- the goods or services promised in the contracts (or some goods or services promised in each of the contracts) are a single performance obligation.

The Budimex Group companies account for a contract modification as a separate contract if the scope of the contract increases because of the addition of promised goods or services that are distinct and if the price of the contract increases by an amount of consideration that reflects the entity's stand-alone selling prices of the additional promised goods or services.

The Group companies recognise revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. Revenue is recognised as the amounts equating the transaction price which was allocated to individual performance obligation in the contract.

At contract inception, the Group company assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer a good or service (or a bundle of goods or services) that is distinct, or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

The Group company transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the company’s performance as the company performs,
- the company’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced, or
- the company’s performance does not create an asset with an alternative use to Group entity and the entity has an enforceable right to payment for performance completed to date.

It is assumed that in rendering by Group companies of construction services, principally one performance obligation arises. Thus the issue of allocation of transaction price to each performance obligation (or good or service) identified in the contract does not require estimation.

IFRS 15 requires that a uniform method is applied to recognise revenue from contracts and obligations which show similar characteristics. The Group's preferred method of measuring the value of goods and services transferred to the customer as the respective performance obligations are satisfied over time is the surveys of work performed method or the work progress measurement method *(metoda obmiaru wykonanych prac),* which is the results-based method, as long as during the course of contract performance measurement is possible of the progress towards complete satisfaction of that performance obligation.

Given the above, the method of the proportion that the costs incurred to the date of revenue determining bear in the total cost of goods or services (the expenditure-based method) is applied only where the progress of works may not be reliably measured using the work progress measurement (results-based) method *(metoda obmiaru wykonanych prac).*

In the contracts for services, under which goods and services are principally the same and under which goods and services have the same consumption pattern in such way that the customer consumes the goods and services as it receives them, the revenue recognition method selected by the Group is based on the time that has passed, while the costs are recognised in accordance with the accruals concept.

If the outcome of a performance obligation may not be measured in a reliable manner, revenue is recognised only to the extent of the costs incurred that the Group expects to recover.

If contract performance obligation is not satisfied over time, it is assumed that the Group entity satisfies it at a point in time.

Where it is possible that the total contract costs will exceed total contract revenue, then in accordance with IAS 37 the expected loss (excess of directs costs and a reasonable part of indirect costs over revenues) is recognised as an operating expense with a corresponding entry being recognition of a provision for onerous contracts (provision for contracts losses).

The incremental costs of obtaining a contract are recognized as an expense for the period due to the lack of certainty as to their recovery.

Contracts concluded by Group companies do not include a significant financing component. In case of construction contracts, investor advance payments are consumed by the expenditure incurred at construction initial stages, and so no long-term financing of executed construction with received advance payment exists.

The Group companies analyse whether the concluded contracts contain the variable consideration element and, in the event of identifying significant values, estimate the total amount of the consideration to which they will be entitled.

Included in assets is "Valuation of construction contracts" referring to all contracts in progress, for which recognised revenues exceed progress billings. The outstanding invoiced amounts due and payable for the contract work performed are recognised under "Trade and other receivables", while the amounts retained by contractors - under "Retentions for construction contracts".

Included in liabilities is "Valuation of construction contracts" referring to all contracts in progress, for which progress billings exceed recognised revenues. On the other hand, provisions for contract losses are recorded as "Provisions for losses on construction contracts". The outstanding amounts due and payable to suppliers, for which invoices have been received are recognised under "Trade and other payables", while the amounts received from suppliers - under "Retentions for construction contracts".

Consideration received in respect of undelivered goods or uncompleted services (advance payments) is recognised in the statement of financial position as deferred income.

In accordance with the accruals concept, the Group recognises in the profit and loss account all costs relating to the given period, irrespective of the period, in which they were actually settled. The incurred costs that do not relate to the given period are recognised under assets as prepayments (in the line item „Trade and other receivables"), while the non-incurred costs that relate to the given period – under liabilities from un-invoiced costs (in the line item: „Trade and other payables").

3.20 Revenue and expenses of service concession arrangements

The Group companies are a party to service concession arrangements, which consist in the construction, operation, management or maintenance of the standard of public utility facilities for a specified period of time, in exchange for a consideration over the term of the arrangement. Such agreements are executed with public sector entities (grantors) who control or regulate the services the operators must provide with the infrastructure, to whom they must provide them and at what price. In such contracts, the grantor also controls the significant residual interest of the infrastructure at the end of the term of the arrangement. The financial impact of such arrangements is recognised by the Group in accordance with IFRIC 12 "Service concession arrangements".

The operator recognises and measures revenues and costs of construction services provided, and the revenues and costs of management/maintenance services in accordance with IFRS 15.

Arrangement consideration may be recognised in the statement of financial position as a financial asset (option 1), as an intangible asset (option 2) or as a mixed model (option 3).

Option 1: The value of guaranteed consideration (unconditional contractual right to receive cash or other financial assets from or at the direction of the grantor for construction services) for the entire term of the arrangement in present values is higher than the fair value of revenues from construction services - in which case a financial asset with a value equating fair value of revenues from construction services is recognised.

Option 2: The operator does not receive guaranteed consideration, but the right (a licence) to charge users of the public service with a total value depending on the degree of the public use of such service – in this case, an intangible asset is recognised with a value equating fair value of revenues from construction services, with an expectation to cover the difference by proceeds from sale of services.

Option 3: The value of guaranteed consideration for the entire term of the concession arrangement in present values is lower than the fair value of revenues generated from construction service - in this case, a financial asset is recognised with a value not higher than the present value of guaranteed consideration, as well as an intangible asset with a value equating a difference between the fair value of revenues from construction services and recognised financial asset, with an expectation to cover the difference by proceeds from sale of services.

In order to define the nature/ type of such consideration as well as the value to be disclosed in the statement of financial position, a test is performed at the date of the arrangement to confirm to what extent the payments guaranteed under service concession arrangements may cover consideration for construction services expressed at fair value.

A discount rate reflecting operator's weighted average cost of capital (WACC) is applied to calculate the present value of guaranteed consideration.

In the financial year ended 31 December 2022, the Budimex Group companies were parties to one concession arrangement, for which the relevant tests disclosed that the value of guaranteed consideration for the entire term of the arrangement calculated in present values was higher than the fair value of receivables from the construction service provided. Thus, the receivables under the construction services were recognised using the option no. 1, i.e. as a financial asset.

The assets are recognised under "Receivables from service concession arrangements" in the statement of financial position and measured at amortised cost using the effective interest rate method, as in accordance with IFRS 9 assets are held in accordance with the business model whose objective is to collect contractual cash flows, and the contractual cash flows of the assets give rise to payments on specified dates that are solely payments of principal and interest on the principal amount outstanding. Assets increases resulting from the reflection of the time value of money are recognised under "Finance income" in the profit and loss account.

In addition, at the end of each settlement period, the assets are reduced by the amount of payments from guaranteed consideration allocated to each period proportionally to the share of construction service consideration in the entire amount of guaranteed consideration provided under service concession arrangement.

Revenues generated from payments of charges imposed on public utility service users, above the value of guaranteed consideration, are recognised as revenues from management/operation at the time of service provision.

In the event the operator is contractually obligated to maintain or restore the infrastructure to a specified level of serviceability (modernisation excluded), such obligation is recognised as provision in accordance with IAS 37.

In accordance with IAS 23, borrowing costs related to service concession arrangement are recognised as an expense when incurred, unless the operator has the contractual right to obtain intangible assets. If this is the case, borrowing costs related to service concession arrangements are capitalised during infrastructure construction stage (as per the standard referred to above). In the concluded service concession arrangements, the Group recognised financial assets and therefore, the costs of financing were expensed to the profit or loss under "finance costs".

3.21 Gross profit/ (loss) on sales

Gross profit/ (loss) on sales is the difference between:

- revenue from the sale of primary production and other services rendered as part of core business activities of the Group, and from sale of goods for resale and raw materials, and
- the cost of development of finished goods and services sold and the purchase cost of goods for resale and raw materials sold.

3.22 Operating profit/ (loss)

Operating profit/ (loss) covers revenues and costs of operating activities without taking into account finance costs and finance income, which primarily include interest, foreign exchange differences and cost of commission and bank guarantees.

3.23 Income tax (incl. deferred tax)

The item "income tax" in the profit and loss account includes current and deferred tax.

Income tax on revenues earned in Poland is calculated in accordance with Polish tax regulations, while revenues from foreign operations are subject to local tax regulations, after considering appropriate agreements to prevent double taxation (double taxation conventions).

Due to the temporary differences between the carrying amount of assets and liabilities recognised in the books of account and their tax bases and due to carry-forward of unused tax losses, Group companies recognise deferred tax liabilities and deferred tax assets in their financial statements.

Deferred tax liabilities are recognised in the amount of income tax to be paid in the future in respect of all taxable temporary differences i.e. differences that will cause an increase in the tax base (taxable amount) in the future.

Deferred tax assets are determined in the amount that is expected to be deducted from income tax in connection with deductible temporary differences, which in the future will cause a decrease in the tax base (taxable amount) and in the amount of carry-forward of unused tax losses.

Deferred tax assets and deferred tax liabilities are not recognised if temporary differences result from goodwill or initial recognition (except for mergers) of other assets and liabilities in a transaction that does not affect taxable or accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available in the future to allow all or part of the deferred tax asset to be utilised.

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

Current tax and deferred tax are included in the profit and loss account, except for the items recorded in other comprehensive income or directly in equity. In such situation, current tax and deferred tax are also included, as appropriate, in other comprehensive income or directly in equity. If current or deferred tax results from the initial settlement of a business combination transaction, tax effects are included in any further settlements of such transaction.

Deferred tax assets and deferred tax liabilities are netted off at a Group company level.

Recognition of uncertain tax position

If according to a Group company's assessment it is probable that the tax authorities will accept an uncertain tax treatment or a group of uncertain tax treatments, the Group company determines taxable income (tax loss), tax base, carry-forward of unused tax losses and unused tax credits and tax rates, after considering in its tax return the applied or planned approach to taxation.

If a Group company ascertains that it is not probable that the tax authorities will accept an uncertain tax treatment or a group of uncertain tax treatments, the Group company reflects the impact of this uncertainty in determining taxable income (tax loss), carry-forward of unused tax losses, unused tax credits or tax rates by determining the most probable scenario, which is a single amount from among possible results.

Value added tax

Revenues, expenses, assets and liabilities are recognised net of the amount of value added tax except:

- where the value added tax incurred on a purchase of assets or services is not recoverable from the tax authorities, in which case value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated inclusive of value added tax.

The net amount of value added tax recoverable from, or payable to the tax authorities of each of the Group's companies is included as part of receivables or payables in the statement of financial position.

3.24 Operating segments reporting

The Budimex Group management and organisation is based on segments.

The Group operates in the area of two main operating segments:

- construction business,
- service activities.

Included in discontinued operations was the segment of "development activities and property management". For details, see the 2021 consolidated financial statements.

The division of business into individual segments has been made by the classification of individual entities, based on their main statutory business activities or the importance of their business to the given segment. Such division reflects the distribution of main business risks and returns on the expenditure made.

The Group applies uniform accounting policies for all segments. Transactions between individual segments (inter-segment transactions) are made on an arm's length basis.

Participating interest (shares) in equity accounted entities has been classified to the appropriate segment, based on the entity's type of business.

4. Financial risk management

The main financial instruments used by the Budimex Group are:

- loans and borrowings, and leases, the objective of which is to obtain financial resources to finance Group activities,
- trade receivables and trade liabilities, other receivables and other payables and cash that arise in the course of ongoing operations of the Group, as well as short-term deposits,
- short-term debt securities (bonds) issued by high-rated issuers acquired as an alternative to bank deposits,
- derivative financial instruments such as foreign currency forward contracts and currency options, the purpose of which is to manage currency risk arising from contracts in foreign currency, as well as interest rate swaps (IRSs) entered into in order to swap floating into fixed interest rates.

In the course of its business, the 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 Management Board verifies and determines risk management policies for each of the risk types identified.

Currency risk

As part of their core business activities, Group companies enter into foreign currency construction contracts with investors and agreements with subcontractors and suppliers. The foreign currency risk management policy adopted by the Management Board consists in hedging future cash flows on these contracts in order to limit the effect of volatility of currency exchange rates on the results of the Group. In accordance with this policy, Group companies hedge against foreign currency risk attached to each contract, where the value of payments (inflows or outflows) in foreign currencies is considered significant. Hedging against foreign currency risk is made using derivative financial instruments, mainly currency forward contracts (FX forwards), and, if possible, using a natural hedge mechanism, which consists in concluding supplier or subcontractor agreements in the currency of the underlying contract.

In accordance with the Group policy, foreign currency exposure is systematically measured for both individual construction contracts (by way of analysis of foreign currency inflows and outflows for the contracts concluded in foreign currency and by way of analysis of foreign currency outflows for the contracts concluded in domestic currency) and for all contracts in aggregate (global currency exposure). It is the Management Board's policy to hedge the net foreign currency exposure on realised contracts. As at 31 December 2022, the Group had approx. 81% of its foreign currency exposure hedged.

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

Foreign currency risk – sensitivity to changes

In order to analyse the sensitivity to fluctuations in exchange rates, on the basis of historical changes in values and the Group's knowledge of and experience in the financial markets, the „feasibly possible" fluctuations in exchange rates were assessed at -10% / +10% as at 31 December 2022 and as at 31 December 2021.

The table below shows the sensitivity of the net result to reasonably possible changes in exchange rates with other factors remaining unchanged (the impact on net assets is identical).

	Nominal value at the reporting date	Sensitivity to fluctuations as at 31 December 2022	
		Depreciation	Appreciation
		of Polish zloty against other currencies	
		+10%	-10%
Forward contracts and currency options (sum of absolute values)			
– EUR	142 780	(26 816)	26 816
Financial instruments denominated in foreign currencies – net currency exposure:			
– EUR	31 309	14 684	(14 684)
– USD	82	36	(36)
– CHF	430	205	(205)
Advances received			
– EUR	(55 000)	(25 794)	25 794
Gross effect on the result for the period and net assets		**(37 685)**	**37 685**
Deferred tax		7 160	(7 160)
Total		**(30 525)**	**30 525**

	Nominal value at the reporting date	Sensitivity to fluctuations as at 31 December 2021	
		Depreciation	Appreciation
		of Polish zloty against other currencies	
		+10%	-10%
Forward contracts (sum of absolute values)			
– EUR	86 265	(22 291)	22 291
– CZK	440	195	(195)
Financial instruments denominated in foreign currencies – net currency exposure:			
– EUR	9 592	4 412	(4 412)
– USD	195	79	(79)
Gross effect on the result for the period and net assets		**(17 605)**	**17 605**
Deferred tax		3 345	(3 345)
Total		**(14 260)**	**14 260**

Interest rate risk

Interest rate risk occurs mainly due to the use by Group companies of bank loans, borrowings and lease contracts. The above financial instruments are partially based on variable interest rates and expose the Group to cash flows fluctuations.

The interest rate risk related to current debt balances was assessed as relatively low from the perspective of its impact on Group results. At present, interest rate risk management covers both ongoing monitoring of market situation and debt levels, and hedging against the risk of fluctuations of market interest rates by way of entering into interest rate swap (IRS) transactions (floating rates to fixed rates).

Interest rate risk – sensitivity to changes

In order to analyse the sensitivity to fluctuations in interest rates, on the basis of historical changes in values and the Group's knowledge of and experience in the financial markets, the "reasonably possible" fluctuations in interest rates were assessed as at 31 December 2022 at -0.5/+0.5p.p. for PLN, at -0.75/+0.75 p.p. for EUR, USD and CHF. As at 31 December 2021, the "reasonably possible" fluctuations in interest rates were assessed at -2.5/+2.5p.p. for PLN and at -0.25/+0.25 p.p. for EUR, USD and CHF.

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

Presented below is the effect of interest rate fluctuations on the net result and on net assets as at 31 December 2022 and 31 December 2021:

	Value at the reporting date	Sensitivity to fluctuations as at 31 December 2022	
		+50 bp (PLN) +75 bp (EUR, USD, CHF)	**-50 bp (PLN) -75 bp (EUR, USD, CHF)**
Cash at bank (fair value)	3 249 160	16 668	(16 668)
Derivative financial instruments – interest rate swap			
– recognised in liabilities (fair value)	1 875	401	(418)
Loans granted (without accrued interest)	1 910	10	(10)
Bank loans and borrowings (principal)	(36 370)	(182)	182
Lease liabilities (present value)	(188 720)	(1 060)	1 060
Gross effect on the result for the period and net assets		**15 837**	**(15 854)**
Deferred tax		(3 009)	3 012
Total		**12 828**	**(12 842)**

	Value at the reporting date	Sensitivity to fluctuations as at 31 December 2021	
		+250 bp (PLN) +25 bp (EUR, USD, CHF)	**-250 bp (PLN) -25 bp (EUR, USD, CHF)**
Cash at bank (fair value)	2 715 613	66 280	(66 280)
Derivative financial instruments – interest rate swap			
– recognised in liabilities (fair value)	(272)	2 581	(3 083)
Bank loans and borrowings (principal)	(40 767)	(1 019)	1 019
Lease liabilities (present value)	(198 268)	(4 338)	4 338
Gross effect on the result for the period and net assets		**63 504**	**(64 006)**
Deferred tax		(12 066)	12 161
Total		**51 438**	**(51 845)**

In the assessment of sensitivity to interest rates fluctuations, cash on hand was disregarded.

Valuation of forward contracts does not show sensitivity to parallel fluctuations in interest rates with the exchange rates remaining unchanged.

Price risk

The Group companies are exposed to the price risk relating to the increase in the prices of energy and crude oil derivatives such as: gasoline, diesel oil, asphalts and fuel oil, as well as the most frequently purchased construction materials, such as steel products (among others, reinforcing bars and other metallurgical products), aggregates, cement and concrete. The price risk of materials purchased on the domestic market is assessed as moderate, while the price risk related to crude oil derivatives and energy prices is assessed as high. The 2023 forecast for the construction industry entails greater risk due to the geopolitical situation, high level of inflation and high energy costs. As a result of changes in energy prices and rising inflation, the prices of services provided to the Group by subcontractors may change. The prices set forth in investor contracts remain fixed over the entire period of contract execution i.e. most often for the period of 6 – 36 months, while subcontractor contracts are made at a later date, as the work on individual contract progresses. The greatest risk of energy and raw materials price volatility (increases) exists in the case of public procurements due to the relatively long process of general contractor selection. This applies to the period from bid placing (offer submission) to general contractor selection and contract signing, when concluding contracts with suppliers and securing prices for the above-mentioned products is not always possible.

In order to mitigate the incurred price risk, the Budimex Group conducts ongoing monitoring of the prices of strategic raw materials and construction products, including energy prices. In 2022, the Budimex Group acquired a project of a ready-to-build photovoltaic farm (in the form of the purchase of shares in another company), which should be able to largely cover the Goup’s demand for electricity. The launch of this project is planned for the first half of 2024. The Procurement Department operating in the Budimex Group negotiates framework agreements with the suppliers of basic construction materials, based on the construction works planned.

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

Credit risk

As far as cash and capital transactions are concerned, the Group companies cooperate with financial institutions of high financial standing without causing material credit risk concentration. At the same time, the Group applies the policy of limiting credit exposure to individual financial institutions and issuers of debt securities, which are acquired as part of investing periodic cash surpluses.

The financial assets of the Group exposed to increased credit risk are trade receivables.

The Group operates the policy of assessment and verification of credit risk based on the quantitative-qualitative models using the publicly available information and ratings of external rating agencies. Particular emphasis is placed on the assessment of credit risk of private investors both at the stage of tender proceedings and regularly, on a monthly basis, during contracts execution, based on the analysis of contractor terms and conditions and current payment of receivables.

Prior to contract signing, each contractor is assessed for the capacity to discharge his financial liabilities, after considering the specific character of a given contract. In the event of negative assessment of contractor payment capacity, contract signing depends on establishing adequate financial or property collateral/ security. In addition, clauses are included in investor contracts that provide for the right to discontinue any work and/or rescind the contract if payments for the services already performed are defaulted. Furthermore, pursuant to the provisions of article 649 of the Civil Code, the contractor is entitled, at each stage of contract works, to demand a guarantee of payment for both the work already performed and the work remaining to contract completion.

No significant credit risk concentration has been identified at the Group, taking into account the fact that its main customers are government agencies *(urzędy administracji rządowej)* or state-owned companies implementing key infrastructure projects.

The Group is not exposed to significant credit risk to one business partner or a group of business partners with similar features. Credit risk relating to liquid assets and derivative financial instruments is limited as the Group cooperates with banks with high credit ratings awarded by reputable international rating agencies.

Except for the data presented in note 45, the value of financial assets recognised in the statement of financial position, before losses, reflects the maximum credit risk exposure of the Group, without taking into account the value of received collaterals and securities.

Liquidity risk

In order to limit the risk of loss of liquidity, Group companies hold adequate amounts of cash and marketable securities, and conclude credit facilities contracts which serve as an additional security against loss of liquidity. To finance its investment purchases, the Group uses own funds or long-term lease contracts that ensure appropriate stability of financing structure for this type of assets.

Liquidity management is supported by the system of reporting liquidity forecasts in force in the companies of the Group.

The maturity structure of liabilities under loans, borrowings and other external sources of finance is presented in note 22. The maturity structure of other financial liabilities is presented in the respective notes.

The current good financial standing of the Budimex Group as regards its liquidity and availability of external sources of finance does not pose any threat to financing its business operations.

5. Capital management

The main objective of capital management at the Group is to keep good credit rating and safe financial ratios that would support operating business of the Group and increase its value to the shareholders.

The Group manages its capital structure and modifies it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may return equity to the shareholders, issue new shares or pay out dividend. In 2022 and 2021, no changes were made to the objectives and policies binding in this area.

The Group monitors the level of equity using the gearing ratio which is calculated as the ratio of net debt to total shareholders' equity increased by net debt. Net debt includes interest-bearing loans and borrowings and other external sources of finance, trade and other payables (except for accrued expenses), retentions for construction contracts, valuation of construction contracts, provision for losses on construction contracts, deferred income (except for other accrued income) and current tax liabilities decreased by cash and cash equivalents and by short-term securities.

	31 December 2022	**31 December 2021**
Interest-bearing loans and borrowings and other external sources of finance	225 141	239 046
Trade and other payables	4 413 463	3 893 110
Less: cash and cash equivalents	(3 249 369)	(2 715 795)
Net debt	1 389 235	1 416 361
Equity	1 299 455	1 361 007
Equity and net debt	2 688 690	2 777 368
Gearing ratio	**51.67%**	**51.00%**

6. Key estimates and assumptions

Estimates and assumptions are verified on an ongoing basis. These result from previous experience and other factors, including forecasts of future events, which seem to be reasonable in the given circumstances.

6.1 Key accounting estimates

The Group makes estimates and assumptions regarding the future which are reflected in these consolidated financial statements. The actual results may differ from these estimates. The Group's estimates relate, among others, to established provisions, valuation of construction contracts, impairment write-downs of assets, accruals and deferred income or adopted depreciation/ amortisation rates. Material assumptions, not described in this point, and adopted in the estimate of above values have been described in note 3 "Key accounting policies".

Provisions for warranty repairs

For construction and road maintenance contracts, the Budimex Group companies are required to issue warranties for their construction services rendered. For construction contracts, the amount of warranty provision is linked to particular construction segments and ranges from 0.3% to 1.5% of revenue from a given contract. In the case of maintenance contracts, the amount of the provision depends on the length of the guarantee period and ranges from 0.3% to 0.8% of recognized sales. These ratios are, however, analysed on an individual basis and in justified cases may be increased or reduced, as appropriate. The amount of warranty provision has been presented in note 26.

Un-invoiced services

The Group companies execute the majority of construction contracts in the capacity of general contractor with extensive support from various subcontractors. Realised construction works are approved by the investor in the process of technical approval and acceptance on the basis of technical acceptance protocol and invoice. At each reporting date, there are some completed construction project works, which are not confirmed (accepted) and not invoiced by subcontractors, and which the Group companies recognise as an expense on an accrual basis. The value of the costs of completed and un-invoiced projects is determined by technical surveyors of Group companies based on physical survey of completed work and may differ from that determined in the formal process of technical acceptance of construction works.

Tax settlements

Polish law contains numerous regulations concerning VAT, excise tax, corporate income tax and social security contributions. Regulations regarding these taxes are subject to frequent changes which cause that they are unclear and inconsistent. Frequent differences in the legal interpretation of tax regulations both between government bodies, and between government bodies and taxpayers contribute to the origination of areas of uncertainty and conflict. Tax and other settlements (e.g. customs or foreign currency settlements) may become subject to inspection by tax authorities for a period of five years. Relevant control authorities are entitled to impose high penalties and sanctions together with penalty interest. There is a risk that these authorities will take a standpoint different to that adopted by Group companies as regards the interpretation of binding regulations, which could have a significant impact on Group tax liabilities.

As at 31 December 2022, a customs and VAT tax inspection was carried out at FBSerwis SA. It ended in February 2023 without stating any irregularities. In February 2023 in turn, a customs and VAT tax inspection began at FBSerwis Kamieńsk Sp. z o.o., which was converted into tax proceedings in March 2023. In March 2023 a customs and CIT tax inspection began at FBSerwis Kamieńsk Sp. z o.o. as well, which has not been completed by the date of the preparation of these consolidated financial statements

Provision for litigation, penalties and sanctions

The management boards of Group companies carry out detailed analyses of the risks arising from pending legal proceedings and the reported claims filed against the Group and, based on these, take decisions on the possible recognition and amount of provisions.

6.2 Professional judgment in applying accounting policies

Recognition of construction contracts revenue and losses

In accordance with the description presented in note 3.19, the preferred method of measurement of goods and services transferred to the customers over time is the survey of work performed method or the work progress measurement method *(metoda obmiaru wykonanych prac),* which is the results-based method. This method requires making physical measurements of construction works and allocation of unit selling prices and unit costs to individual goods developed under construction contracts.

The method of the proportion that the costs incurred to the date of revenue determining bear to the total costs of goods or services (the expenditure-based method) is applied only where measuring the progress of works may not be reliably measured using the work progress measurement (results–based) method. In the case of this method, revenue from construction contracts during the period from contract inception to the reporting date, after deducting revenue that affected prior periods financial result, is determined in proportion to the stage of contract completion, which is determined based on the proportion that contract costs incurred for work performed to the date of revenue determining bear to the estimated total contract costs.

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

Irrespective of the applied method to measure progress in the complete satisfaction of a performance obligation to transfer goods or services to the customer, the key element that facilitates sales revenue measurement are the budgets of individual contracts. Twice a year, the budgets of individual contracts are subject to formal update (revision) procedure, based on the current information, and are approved by the Management Board. Where any “in-between” events are identified that materially affect contract result, total contract revenue or total contract costs may be updated earlier, i.e. prior to scheduled contract revision date.

Where total contract costs may exceed total contract revenue, then in accordance with IAS 37 the expected loss (excess of directs costs and a reasonable part of indirect costs over revenues) is recognised as an operating expense with a corresponding entry being recognition of a provision for onerous contracts (provision for contracts losses). The amount of the expected contract loss is also updated during budget revisions and is the best estimate of the costs that the Group entities will have to incur to complete realization of a given construction contract.

7. Changes in the composition of the Group and their effects

7.1 Purchase of shares in Magnolia Energy Sp. z o.o.

On 22 February 2022, Budimex SA concluded an agreement with Figene Capital SA for the purchase of 28 485 shares in Magnolia Energy Sp. z o.o. with a total nominal value of PLN 1 424 thousand, representing 100.00% of the issued capital and entitling to 100.00% of votes at the general meeting of shareholders of this company. The purchase price was set at PLN 22 125 thousand.

The special purpose vehicle (SPV) Magnolia Energy Sp. z o.o. implements a project to build a wind farm consisting of two wind turbines with a total capacity of up to 7 MW in Drachowo in the Wielkopolskie Voivodeship. Thus, after the construction of the wind farm is completed, the Budimex Group will start operating activity in the area of electricity generation from renewable energy sources. The Group presents the company's data as a service activity.

The purchase of shares in Magnolia Energy Sp. z o.o. was recognized by the Group as the acquisition of a group of assets not constituting a business.

The determined fair values at the time of acquisition are presented in the table below:

Net assets identified in the acquired entity:

	22 February 2022
Non-current assets	
Property, plant and equipment	28 023
Current assets	
Trade and other receivables	1 189
Cash and cash equivalents	1
Short-term liabilities	
Loans, borrowings and other external sources of finance	(4 593)
Trade and other payables	(2 495)
Acquired net assets at fair value	**22 125**
Purchase price of shares in Magnolia Energy Sp. z o.o.	**22 125**
Cash payment at the date of acquisition	(11 034)
Advance payment made in 2021	(3 675)
Cash and cash equivalents in the acquired entity at the time of acquisition	1
Cash outflows related to acquisition	**(14 708)**

Part of the payment for the shares was deferred. Therefore, at the time of the acquisition of this company, the Budimex Group recognized deferred payment liabilities in the amount of PLN 7 416 thousand. The final settlement of purchase price will depend on the actual levels of electricity produced and sold by the company and the settlement of the company's net debt.

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

7.2 Purchase of shares in Zakład Przetwarzania Odpadów Zawisty Sp. z o.o.

On 25 May 2022, JZE Sp. z o.o., a 100% subsidiary of FBSerwis SA, concluded with 4 natural persons an agreement for the purchase of 3 600 shares in Zakład Przetwarzania Odpadów Zawisty Sp. z o.o. with a total nominal value of PLN 180 thousand, representing 100.00% of the issued capital and entitling to 100.00% of votes at the general meeting of shareholders of this company. The purchase price was set at PLN 26 919 thousand (in nominal value).

The company operates in the field of waste processing. The Budimex Group presents the company's data as a service activity, and the purchase of shares in Zakład Przetwarzania Odpadów Zawisty Sp. z o.o. was recognized by the Group as the acquisition of an enterprise (business). The acquisition of control over the company is of a long-term nature and is part of the development strategy of the Budimex Group, primarily in the area of waste management.

As at 31 December 2022, the final settlement of the acquisition of shares in Zakład Przetwarzania Odpadów Zawisty Sp. z o.o. was made.

Fair values at the time of acquisition are presented in the table below:

Purchase price of shares at par value	26 919
Discount of deferred payment for shares	(1 081)
Purchase price of shares in Zakład Przetwarzania Odpadów Zawisty Sp. z o.o.	**25 838**

Fair value of acquired assets and assumed liabilities at the date of acquisition:

	25 May 2022
Non-current assets	
Intangible assets	7 322
Property, plant and equipment	6 999
Current assets	
Trade and other receivables	3 336
Cash and cash equivalents	5 616
Short- and long-term liabilities	
Deferred tax liability	(1 630)
Loans, borrowings and other sources of finance	(2 412)
Trade and other payables	(3 021)
Current tax liability	(62)
Acquired net assets at fair value	**16 148**
Goodwill identified on acquisition	9 690
Cash payment at the date of acquisition	(19 919)
Cash and cash equivalents in the acquired entity at the time of acquisition	5 616
Cash outflows related to acquisition	**(14 303)**

The goodwill identified on the acquisition amounted to PLN 9 690 thousand. Goodwill was determined as the difference between the purchase price and the fair value of net assets attributable to the Budimex Group. According to the Group's assessment, goodwill consists mainly of future synergies that do not qualify for separate recognition. Goodwill will not be deductible for tax purposes and has been allocated to the "Service activities" segment.

Sales for the period from the acquisition to 31 December 2022	16 331
Net profit for the period from the acquisition to 31 December 2022	2 503
Sales for the period from the beginning of the year to 31 December 2022	20 610
Net profit for the period from the beginning of the year to 31 December 2022	2 296

The gross value of receivables at the time of company acquisition amounted to PLN 3 277 thousand. It is also the fair value of these receivables.

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

Part of the payment for the shares was deferred. Therefore, at the time of the acquisition of this company, the Budimex Group recognized liabilities from deferred payment in the amount of PLN 5 919 thousand. The final settlement of purchase price will depend on the fulfilment of the conditions laid down in the sales contract. As a result of the acquisition of control over the company, no compensation assets were recognized.

In the period from the acquisition date to 31 December 2022, the following adjustments were made to the fair value of the net assets of Zakład Przetwarzania Odpadów Zawisty Sp. z o.o.:

- the fair value of property, plant and equipment was increased by PLN 4 226 thousand as a result of recognition of right-of-use assets and re-measurement to fair value of previously recognized property, plant and equipment;
- intangible assets (waste processing permit) in the amount of PLN 7 322 thousand were recognized;
- lease liabilities in the amount of PLN 2 226 thousand were recognized; and
- deferred tax liabilities deriving from the above-described adjustments in the net value of PLN 1 771 thousand were recognized.

As a result of adjusting the fair value of the above-mentioned net assets, goodwill decreased by PLN 7 551 thousand compared to the value recognized in the condensed financial statements of the Budimex Group for the first half and three quarters of 2022.

As at the date of the preparation of these consolidated financial statements, the Budimex Group incurred costs related to the purchase of shares in Zakład Przetwarzania Odpadów Zawisty Sp. z o.o. in the amount of PLN 865 thousand.

7.3 Purchase of shares in Fotowoltaika HIG XIV Sp. z o.o.

On 24 November 2022, Budimex SA concluded an agreement with Huffington Invest Group OÜ for the purchase of 100 shares in Fotowoltaika HIG XIV Sp. z o.o. with a total nominal value of PLN 5 thousand, representing 100.00% of the issued capital and entitling to 100.00% of votes at the company's shareholders' meeting. The purchase price was set at EUR 1 615 thousand (PLN 7 583 thousand).

The special purpose vehicle (SPV) Fotowoltaika HIG XIV Sp. z o.o. implements a project to build a photovoltaic farm with a total capacity of up to 14 MW in Wymysłów in the Mazowieckie Voivodeship. Thus, after the construction of the farm is completed, the Budimex Group will expand its activities in the area of electricity generation from renewable energy sources. The Group presents the company's data as a service activity.

The purchase of shares in Fotowoltaika HIG XIV Sp. z o.o. was recognized by the Group as the acquisition of a group of assets not constituting a business.

The determined fair values at the time of acquisition are presented in the table below:

Net assets identified in the acquired entity:	**24 November 2022**
Non-current assets	
Property, plant and equipment	8 062
Current assets	
Trade and other receivables	12
Cash and cash equivalents	23
Short-term liabilities	
Loans, borrowings and other external sources of finance	(514)
Acquired net assets at fair value	**7 583**
Purchase price of shares in Fotowoltaika HIG XIV Sp. z o.o.	**7 583**
Cash payment at the date of acquisition	(7 583)
Cash and cash equivalents in the acquired entity at the time of acquisition	23
Cash outflows related to acquisition	**(7 560)**

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

8. The Budimex Group Entities

Presented below is the list of **subsidiaries** of the Budimex Group:

Entity name	Registered office	Share in the issued capital and in the number of votes (%)		Consolidation method	
		31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Parent company					
Budimex SA	Warsaw / Poland			full	full
Consolidated					
Mostostal Kraków SA	Cracow / Poland	100.00%	100.00%	full	full
Mostostal Kraków Energetyka Sp. z o.o.	Cracow / Poland	100.00%	100.00%	full	full
Budimex Bau GmbH	Berlin / Germany	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%	100.00%	full	full
FBSerwis Paliwa Alternatywne Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	full	full
JZE Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	full	full
FBSerwis Kamieńsk Sp. z o.o.	Kamieńsk / Poland	80.00%	80.00%	full	full
Budimex Parking Wrocław Sp. z o.o.	Warsaw / Poland	51.00%	51.00%	full	full
Budimex Most Wschodni SA[1]	Warsaw / Poland	100.00%	100.00%	full	non-consolidated
Circular Construction SA[2]	Warsaw / Poland	100.00%	100.00%	full	non-consolidated
Budimex PPP SA[3]	Warsaw / Poland	100,00%	100,00%	full	non-consolidated
Budimex Slovakia s.r.o. [4]	Bratislava/Slovakia	100.00%	100.00%	full	non-consolidated
Magnolia Energy Sp. z o.o.[5]	Warsaw / Poland	100.00%	-	full	-
Zakład Przetwarzania Odpadów Zawisty Sp. z o.o.[6]	Ostrołęka / Poland	100.00%	-	full	-
Fotowoltaika HIG XIV Sp. z o.o. [7]	Cracow / Poland	100.00%	-	full	-
RailBX GmbH [8]	Berlin / Germany	100.00%	-	full	-

[1]) The Company has been consolidated since February 2022 due to the commencement of significant operating activities.
[2]) The Company has been consolidated since February 2022 due to the commencement of significant operating activities.
[3]) The Company has been consolidated since December 2022 due to the commencement of significant operating activities. On 6 February 2023, the company changed its name to Budimex Mobility SA.
[4]) This company has been consolidated since December 2022 due to the commencement of significant operating activities.
[5]) On 22 February 2022, Budimex SA acquired 100% of shares in Magnolia Energy Sp. z o.o. The company has been consolidated since March 2022. Details of the purchase settlement in note 7.1.
[6]) On 25 May 2022, JZE Sp. z o.o., a 100% subsidiary of FBSerwis SA, acquired 100% of shares in Zakład Przetwarzania Odpadów Zawisty Sp. z o.o. The company has been consolidated since June 2022. Details of the purchase settlement in note 7.2.
[7]) On 24 November 2022, Budimex SA acquired 100% of shares in Fotowoltaika HIG XIV Sp. z o.o. The company has been consolidated since November 2022. Details of the purchase settlement in note 7.3.
[8]) On 8 July 2022, Budimex SA, as the sole shareholder, established RailBX GmbH, with its registered office in Berlin, Germany. The company was registered in the relevant registry court on 1 September 2022. This company has been consolidated since December 2022 due to the commencement of significant operating activities.

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

Entity name	Registered office	Share in the issued capital and in the number of votes (%)		Consolidation method	
		31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Non-consolidated					
Budimex Autostrada A1 SA (in liquidation)	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. w upadłości likwidacyjnej [in liquidation bankruptcy]	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
ASI 1 ConVentures Sp. z o.o. SKA	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex Construction Prague s.r.o	Prague / Czechia	100.00%	100.00%	non-consolidated	non-consolidated
Budimex M Sp. z o.o.[9]	Warsaw / Poland	100.00%	-	non-consolidated	-
Budimex N Sp. z o.o.[10]	Warsaw / Poland	100.00%	-	non-consolidated	-
Budimex O Sp. z o.o.[11]	Warsaw / Poland	100.00%	-	non-consolidated	-
Budimex P Sp. z o.o.[12]	Warsaw / Poland	100.00%	-	non-consolidated	-
Budimex R Sp. z o.o.[13]	Warsaw / Poland	100.00%	-	non-consolidated	-

[9)] On 26 May 2022, Budimex SA, as the sole shareholder, established Budimex M Sp. z o.o. The company was registered in the National Court Register on 1 September 2022. The company was not consolidated due to the lack of significant operating activities.
[10)] On 13 July 2022, Budimex SA, as the sole shareholder, established Budimex N Sp. z o.o. The company was registered in the National Court Register on 9 September 2022. The company was not consolidated due to the lack of significant operating activities.
[11)] On 13 July 2022, Budimex SA, as the sole shareholder, established Budimex O Sp. z o.o. The company was registered in the National Court Register on 20 September 2022. The company was not consolidated due to the lack of significant operating activities.
[12)] On 13 July 2022, Budimex SA, as the sole shareholder, established Budimex P Sp. z o.o. The company was registered in the National Court Register on 5 September 2022. The company was not consolidated due to the lack of significant operating activities.
[13)] On 13 July 2022, Budimex SA, as the sole shareholder, established Budimex R Sp. z o.o. The company was registered in the National Court Register on 6 September 2022. The company was not consolidated due to the lack of significant operating activities.

The list of **jointly controlled entities** of Budimex Group is as follows:

Entity name	Registered office	Share in the issued capital and in the number of votes (%)		Consolidation method	
		31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
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 Construccion SA sp.j.[1]	Warsaw/ Poland	50.00%	50.00%		

[1)] On 29 December 2022, an application was submitted to remove the company from the National Court Register. On 13 January 2023, the company was deleted from the National Court Register.

The above-mentioned entities are under joint control (incl. these, in which the Group companies hold a total of more than 50% shares), as unanimity of all partners is required in the matters concerning their business.

The main area of business activities of the entities jointly controlled by the Budimex Group is the construction business.

Apart from the changes listed above, the composition of the Group did not change.

9. Operating segments

Operating segments

For management purposes, the Group has been divided into segments based on the products and services offered. The Group operates in the following operating segments:

- construction business
- 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
- RailBX GmbH (consolidated using the full method as of December 2022)
- Budimex Slovakia s.r.o. (consolidated using the full method as of December 2022).

The segment of service activities comprises comprehensive services in the field of municipal waste management, maintenance of road and lighting infrastructure, and management and technical maintenance of real estate, also in the form of public-private partnership (PPP). This segment also includes the activity of generating electricity from renewable energy sources. Classified to this segment were the following entities:

- 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 Kamieńsk Sp. z o.o.
- FBSerwis Odbiór Sp. z o.o.
- FBSerwis Paliwa Alternatywne Sp. z o.o.
- JZE Sp. z o.o.
- Budimex Most Wschodni SA (consolidated using the full method as of February 2022)
- Circular Construction SA (consolidated using the full method as of February 2022)
- Magnolia Energy Sp. z o.o. (consolidated using the full method as of March 2022)
- Zakłady Przetwarzania Odpadów Zawisty Sp. z o.o. (consolidated using the full method as of June 2022)
- Fotowoltaika HIG XIV Sp. z o.o. (consolidated using the full method as of November 2022)
- Budimex PPP SA (consolidated using the full method as of December 2022).

Included in discontinued operations in 2021 was the segment of "development activities and property management".

Segment performance is evaluated based on sales revenue, gross profit (loss) on sales, operating profit (loss) and net profit (loss) for the period.

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

Segment results for the **year ended 31 December 2022** are presented in the table below:

	Construction business	Service activities	Consolidation exclusions	Consolidated value
Revenue from external sales	7 804 252	814 802	-	**8 619 054**
Inter-segment sales	16 582	6 595	(23 177)	**-**
Total sales revenue	**7 820 834**	**821 397**	**(23 177)**	**8 619 054**
Cost of finished goods, goods for resale and raw materials sold externally	(7 064 532)	(682 079)	-	**(7 746 611)**
Cost of finished goods, goods for resale and raw materials sold to other segments	(10 944)	(4 996)	15 940	**-**
Total cost of finished goods, goods for resale and raw materials sold	**(7 075 476)**	**(687 075)**	**15 940**	**(7 746 611)**
Gross profit on sales	**745 358**	**134 322**	**(7 237)**	**872 443**
Selling expenses	(13 530)	-	-	**(13 530)**
Administrative expenses	(275 171)	(48 085)	6 103	**(317 153)**
Other operating income/ (expenses), net	14 777	5 890	-	**20 667**
Operating profit	**471 434**	**92 127**	**(1 134)**	**562 427**
Finance income / (finance costs), net, of which:	80 738	6 958	(1 324)	**86 372**
- interest income	*116 417*	*6 879*	*(1 595)*	***121 701***
- interest expense	*(6 377)*	*(4 687)*	*88*	***(10 976)***
Shares in profits of equity accounted entities	-	135	-	**135**
Income tax	(85 539)	(15 733)	467	**(100 805)**
Net profit from continuing operations	**466 633**	**83 487**	**(1 991)**	**548 129**
Net profit from discontinued operations	-	-	-	**-**
Net profit	**466 633**	**83 487**	**(1 991)**	**548 129**

In 2022, the net revenue from sales to one customer amounted to PLN 1 554 488 thousand, of which PLN 1 400 078 thousand related to the construction segment and PLN 154 410 thousand - to the service segment.

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

Segment results for the **year ended 31 December 2021** are presented in the table below:

	Construction business	Development activities and property management	Service activities	Consolidation exclusions	Consolidated value
Revenue from external sales	7 133 841	-	777 351	-	**7 911 192**
Inter-segment sales	148 583	-	5 823	(154 406)	**-**
Total sales revenue	**7 282 424**	**-**	**783 174**	**(154 406)**	**7 911 192**
Cost of finished goods, goods for resale and raw materials sold externally	(6 439 245)	-	(638 150)	-	**(7 077 395)**
Cost of finished goods, goods for resale and raw materials sold to other segments	(199 727)	-	(4 531)	204 258	**-**
Total cost of finished goods, goods for resale and raw materials sold	**(6 638 972)**	**-**	**(642 681)**	**204 258**	**(7 077 395)**
Gross profit on sales	**643 452**	**-**	**140 493**	**49 852**	**833 797**
Selling expenses	(11 733)	-	-	-	**(11 733)**
Administrative expenses	(238 411)	-	(40 629)	10 029	**(269 011)**
Other operating income/ (expenses), net	52 205	-	(18 173)	-	**34 032**
Operating profit	**445 513**	**-**	**81 691**	**59 881**	**587 085**
Finance income / (finance costs), net, of which:	(35 290)	-	2 394	240	**(32 656)**
- interest income	*5 544*	-	*132*	*(55)*	***5 621***
- interest expense	*(4 835)*	-	*(3 324)*	*55*	***(8 104)***
Shares in profits of equity accounted entities	-	-	67	-	**67**
Income tax	(65 258)	-	(11 870)	(11 422)	**(88 550)**
Net profit from continuing operations	**344 965**	**-**	**72 282**	**48 699**	**465 946**
Net profit from discontinued operations	-	520 508	-	-	**520 508**
Net profit	**344 965**	**520 508**	**72 282**	**48 699**	**986 454**

In 2021, the net revenue from sales to one customer amounted to PLN 1 975 291 thousand, of which PLN 1 873 423 thousand related to the construction segment and PLN 101 868 thousand - to the service segment.

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

Other segment-related items recognised in the profit and loss account and capital expenditure **for the year ended 31 December 2022** are as follows:

	Construction business	Service activities	Consolidated value
Depreciation/ amortization (note 10, 11, 12)	(96 562)	(55 825)	**(152 387)**
(Recognition)/ reversal of impairment write-downs against receivables (note 17)	(16 694)	(24)	**(16 718)**
(Recognition)/ reversal of impairment write-downs against non-financial long-term assets (note 10)	-	2 205	**2 205**
Other non-monetary income/ (costs)**	(355 896)	3 100	**(352 796)**
Result on sale of non-financial long-term assets and investments***	5 102	1 170	**6 272**
Capital expenditure	123 167	98 820	**221 987**

Other segment-related items recognised in the profit and loss account and capital expenditure **for the year ended 31 December 2021** are as follows*:

	Construction business	Property management and development business	Service activities	Consolidated value
Depreciation/ amortization (note 10, 11, 12)	(95 504)	(584)	(50 519)	**(146 607)**
(Recognition)/ reversal of impairment write-downs against receivables (note 17)	8 405	(6)	495	**8 894**
(Recognition)/ reversal of impairment write-downs against inventories (note 18)	(613)	-	-	**(613)**
Recognition)/ reversal of impairment write-downs against non-financial long-term assets (note 10)	-	-	(11 880)	**(11 880)**
Other non-monetary income/ (costs)**	(256 419)	(1 363)	(16 333)	**(274 115)**
Result on sale of non-financial long-term assets and investments***	9 298	(29)	743	**10 012**
Capital expenditure	103 206	433	54 666	**158 305**

*) the table contains data from discontinued operations.
**) Other non-monetary income / (costs) include reversal / (creation) of provisions for contract losses and warranty repairs.
***) Result on sale of non-financial long-term assets and investments includes sale of property, plant and equipment, investment property and investments.

Capital expenditure covers increases in property, plant and equipment (including acceptance for use under lease contracts, excluding post-lease purchases), investment property and intangible assets.

Geographical information

The Budimex Group conducts business in Poland and abroad. Geographical information on sales revenue was presented in note 30.

Non-current assets

	31 December 2022	31 December 2021
Domestic market	983 052	884 440
German market	5 415	734
Total	**988 467**	**885 174**

Capital expenditure

	2022	2021
Domestic market	216 985	158 246
German market	5 002	59
Total	**221 987**	**158 305**

Non-current assets comprise property, plant and equipment, intangible assets, goodwill of subordinates, as well as long-term prepayments and accruals. The breakdown of the total amount of non-current assets and capital expenditure corresponds to the location of branches and foreign operations included in the Budimex Group.

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

10. Property, plant and equipment

	Land & perpetual usufruct to land		Buildings & constructions		Plant & machinery		Means of transport		Other [tangible] fixed assets		Construction in progress (AUC)	Prepayments for AUC	Total
	freehold	leased*	own	leased*	own	leased*	own	leased*	own	leased*			
Gross value as at 1 January 2022	**20 243**	**22 252**	**115 422**	**72 279**	**290 543**	**145 365**	**56 378**	**166 842**	**68 336**	**7 363**	**58 506**	**485**	**1 024 014**
Increases:	**8 483**	**20 596**	**13 551**	**43 788**	**96 834**	**4 590**	**33 082**	**25 512**	**7 342**	**569**	**7 231**	**27 548**	**289 126**
– change in Group composition (note 7)	-	985	2 216	43	1 205	1 342	730	211	267	-	33 008	3 077	**43 084**
– purchase	8 483	-	774	-	26 274	-	30 374	-	6 669	-	-	-	**72 574**
– post-lease purchase	-	-	-	-	31 705	-	1 295	-	271	-	-	-	**33 271**
– acceptance for use under lease contracts	-	19 610	-	43 745	-	3 248	-	25 301	-	569	-	-	**92 473**
- transfer from construction in progress	-	-	10 561	-	37 647	-	675	-	81	-	(48 964)	-	**-**
- increase in construction in progress	-	-	-	-	-	-	-	-	-	-	23 187	-	**23 187**
– prepayments settlement	-	-	-	-	-	-	-	-	-	-	-	(2 529)	**(2 529)**
– prepayments made	-	-	-	-	-	-	-	-	-	-	-	27 000	**27 000**
– foreign exchange differences	-	-	-	-	3	-	-	-	22	-	-	-	**25**
– other increases	-	1	-	-	-	-	8	-	32	-	-	-	**41**
Decreases:	**(874)**	**(14 442)**	**(183)**	**(12 941)**	**(13 007)**	**(35 081)**	**(8 483)**	**(20 639)**	**(8 347)**	**(649)**	**-**	**(7)**	**(114 653)**
– liquidation, scrapping	-	(14 442)	(183)	(12 940)	(3 498)	(3 375)	(13)	(19 245)	(2 625)	(377)	-	-	**(56 698)**
– sale	(874)	-	-	-	(9 509)	-	(8 469)	-	(5 722)	-	-	-	**(24 574)**
– post-lease purchase	-	-	-	-	-	(31 705)	-	(1 294)	-	(271)	-	-	**(33 270)**
– other decreases	-	-	-	(1)	-	(1)	(1)	(100)	-	(1)	-	(7)	**(111)**
Gross value as at 31 December 2022	**27 852**	**28 406**	**128 790**	**103 126**	**374 370**	**114 874**	**80 977**	**171 715**	**67 331**	**7 283**	**65 737**	**28 026**	**1 198 487**

**right-of-use assets*

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

	Land & perpetual usufruct to land		Buildings & constructions		Plant & machinery		Means of transport		Other [tangible] fixed assets		Construction in progress (AUC)	Prepayments for AUC	Total
	freehold	leased*	own	leased*	own	leased*	own	leased*	own	leased*			
Accumulated depreciation as at 1 January 2022	**(1 438)**	**(5 703)**	**(31 250)**	**(31 049)**	**(177 330)**	**(74 741)**	**(26 545)**	**(75 320)**	**(44 982)**	**(3 487)**	**-**	**-**	**(471 845)**
Movements in the period:	**(755)**	**(2 562)**	**(11 354)**	**(7 607)**	**(40 080)**	**9 746**	**(2 552)**	**(14 159)**	**(3 732)**	**(1 501)**	**-**	**-**	**(74 556)**
– charge for the period (note 31)	(762)	(6 252)	(11 401)	(16 100)	(25 772)	(19 904)	(8 574)	(34 118)	(7 784)	(2 150)	-	-	**(132 817)**
– liquidation, scrapping	-	3 692	183	8 497	3 191	3 352	13	18 894	2 555	377	-	-	**40 754**
– sale	-	-	-	-	8 713	-	7 078	-	1 819	-	-	-	**17 610**
– post-lease purchase	-	-	-	-	(26 298)	26 298	(1 064)	1 064	(271)	271	-	-	**-**
– foreign exchange differences	-	-	-	-	(4)	-	-	-	(19)	-	-	-	**(23)**
– other	7	(2)	(136)	(4)	90	-	(5)	1	(32)	1	-	-	**(80)**
Accumulated depreciation as at 31 December 2022	**(2 193)**	**(8 265)**	**(42 604)**	**(38 656)**	**(217 410)**	**(64 995)**	**(29 097)**	**(89 479)**	**(48 714)**	**(4 988)**	**-**	**-**	**(546 401)**
Impairment write-downs as at 1 January 2022	**(1 677)**	**-**	**(7 628)**	**-**	**-**	**-**	**(1 663)**	**-**	**(282)**	**-**	**(2 307)**	**-**	**(13 557)**
– (increases)/ decreases (note 33)	-	-	2 205	-	-	-	-	-	-	-	-	**-**	**2 205**
Impairment write-downs as at 31 December 2022	**(1 677)**	**-**	**(5 423)**	**-**	**-**	**-**	**(1 663)**	**-**	**(282)**	**-**	**(2 307)**	**-**	**(11 352)**
Net value as at 1 January 2022	**17 128**	**16 549**	**76 544**	**41 230**	**113 213**	**70 624**	**28 170**	**91 522**	**23 072**	**3 876**	**56 199**	**485**	**538 612**
Net value as at 31 December 2022	**23 982**	**20 141**	**80 763**	**64 470**	**156 960**	**49 879**	**50 217**	**82 236**	**18 335**	**2 295**	**63 430**	**28 026**	**640 734**

**right-of-use assets*

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

	Land & perpetual usufruct to land		Buildings & constructions		Plant & machinery		Means of transport		Other [tangible] fixed assets		Construction in progress (AUC)	Prepayments for AUC	Total
	freehold	leased*	own	leased*	own	leased*	own	leased*	own	leased*			
Gross value as at 1 January 2021	**20 195**	**12 504**	**108 620**	**68 673**	**207 827**	**242 530**	**34 736**	**161 410**	**65 504**	**7 230**	**18 423**	**149**	**947 801**
Increases:	**48**	**10 831**	**9 938**	**13 023**	**130 217**	**2 863**	**22 225**	**26 231**	**6 668**	**939**	**40 326**	**430**	**263 739**
– purchase	48	-	9 874	-	29 503	-	8 307	-	6 631	-	-	-	**54 363**
– post-lease purchase	-	-	-	-	98 968	-	10 953	-	-	-	-	-	**109 921**
– acceptance for use under lease contracts	-	10 831	-	13 022	-	2 862	-	26 195	-	939	-	-	**53 849**
– transfer from construction in progress	-	-	-	-	729	-	-	-	36	-	(765)	-	**-**
– increase in construction in progress	-	-	-	-	-	-	-	-	-	-	40 568	-	**40 568**
– prepayments settlement	-	-	-	-	-	-	-	-	-	-	523	(523)	**-**
– prepayments made	-	-	-	-	-	-	-	-	-	-	-	953	**953**
– foreign exchange differences	-	-	-	-	1	-	-	-	-	-	-	-	**1**
– gross value adjustments	-	-	64	1	1 016	1	2 965	36	1	-	-	-	**4 084**
Decreases:	**-**	**(1 083)**	**(3 136)**	**(9 417)**	**(47 501)**	**(100 028)**	**(583)**	**(20 799)**	**(3 836)**	**(806)**	**(243)**	**(94)**	**(187 526)**
– change in Group composition	-	-	(3 130)	(7 445)	(983)	(419)	-	(1 445)	(1 440)	(172)	(231)	-	**(15 265)**
– liquidation, scrapping	-	(1 081)	-	(1 970)	(2 280)	(640)	-	(8 275)	(920)	(634)	(2)	-	**(15 802)**
– sale	-	-	-	-	(44 237)	-	(553)	(56)	(1 454)	-	-	-	**(46 300)**
– post-lease purchase	-	-	-	-	-	(98 969)	-	(10 954)	-	-	-	-	**(109 923)**
– foreign exchange differences	-	-	-	-	-	-	-	-	(4)	-	-	-	**(4)**
– other decreases	-	(2)	(6)	(2)	(1)	-	(30)	(69)	(18)	-	(10)	(94)	**(232)**
Gross value as at 31 December 2021	**20 243**	**22 252**	**115 422**	**72 279**	**290 543**	**145 365**	**56 378**	**166 842**	**68 336**	**7 363**	**58 506**	**485**	**1 024 014**

**right-of-use assets*

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

	Land & perpetual usufruct to land		Buildings & constructions		Plant & machinery		Means of transport		Other [tangible] fixed assets		Construction in progress (AUC)	Prepayments for AUC	Total
	freehold	leased*	own	leased*	own	leased*	own	leased*	own	leased*			
Accumulated depreciation as at 1 January 2021	**(884)**	**(2 444)**	**(22 773)**	**(19 690)**	**(160 417)**	**(83 662)**	**(15 372)**	**(50 358)**	**(39 773)**	**(1 939)**	**-**	**-**	**(397 312)**
Movements in the period:	**(554)**	**(3 259)**	**(8 477)**	**(11 359)**	**(16 913)**	**8 921**	**(11 173)**	**(24 962)**	**(5 209)**	**(1 548)**	**-**	**-**	**(74 533)**
– charge for the period (note 31)**	(562)	(4 347)	(9 572)	(15 101)	(21 284)	(25 142)	(7 320)	(34 518)	(7 717)	(2 263)	-	-	**(127 826)**
– change in Group composition	-	-	1 249	2 046	826	187	-	654	754	92	-	-	**5 838**
– liquidation, scrapping	-	1 069	-	1 693	2 260	640	-	8 080	873	623	-	-	**15 238**
– sale	-	-	-	-	35 537	-	-	-	818	-	-	-	**36 355**
– post-lease purchase	-	-	-	-	(33 243)	33 243	(854)	854	-	-	-	-	**-**
– foreign exchange differences	-	-	-	-	-	-	-	-	3	-	-	-	**3**
– adjustments to accumulated depreciation	8	19	(154)	3	(1 009)	(7)	(2 999)	(32)	30	-	-	-	**(4 141)**
Accumulated depreciation as at 31 December 2021	**(1 438)**	**(5 703)**	**(31 250)**	**(31 049)**	**(177 330)**	**(74 741)**	**(26 545)**	**(75 320)**	**(44 982)**	**(3 487)**	**-**	**-**	**(471 845)**
Impairment write-downs as at 1 January 2021	**(1 677)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1 677)**
– (increases)/ decreases (note 33)	-	-	(7 628)	-	-	-	(1 663)	-	(282)	-	(2 307)	**-**	**(11 880)**
Impairment write-downs as at 31 December 2021	**(1 677)**	**-**	**(7 628)**	**-**	**-**	**-**	**(1 663)**	**-**	**(282)**	**-**	**(2 307)**	**-**	**(13 557)**
Net value as at 1 January 2021	**17 634**	**10 060**	**85 847**	**48 983**	**47 410**	**158 868**	**19 364**	**111 052**	**25 731**	**5 291**	**18 423**	**149**	**548 812**
Net value as at 31 December 2021	**17 128**	**16 549**	**76 544**	**41 230**	**113 213**	**70 624**	**28 170**	**91 522**	**23 072**	**3 876**	**56 199**	**485**	**538 612**

**right-of-use assets*

*** data include the amount of PLN 521 thousand transferred to discontinued operations*

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

Depreciation of property, plant and equipment was recognised under the following items of profit and loss account:

	2022	2021
Cost of development of finished goods and services sold	124 097	118 716
Administrative expenses	8 677	8 522
Selling expenses	43	67
Total – continuing operations (note 31)	**132 817**	**127 305**
Discontinued operations	-	521
Total – depreciation of property, plant and equipment	**132 817**	**127 826**

The value of collaterals/ securities established on property, plant and equipment has been described in note 38.

The reason for the reversal of impairment losses on property, plant and equipment in 2022 was a change in business plans and further use of the assets to generate profits.

In 2022, the Group did not receive compensation in respect of the fixed assets that were impaired or lost. In 2021, the Group received PLN 54 thousand in compensation in respect of those fixed assets that were impaired or lost.

11. Investment property

As at 31 December 2022 and 31 December 2021, the Group did not hold any investment property and no collateral was established on investment property.

Movements in the balance of investment property during 2022 and 2021 were as follows:

	2022	2021
Opening balance		
Gross value	-	10 120
Depreciation (incl. accumulated impairment losses)	-	(244)
Net value - opening balance	**-**	**9 876**
Movements for the year:	**-**	**(9 876)**
Transfer from inventories	-	-
Depreciation*	-	(29)
Change in Group composition	-	(9 847)
Closing balance		
Gross value	-	-
Depreciation (incl. accumulated impairment losses)	-	-
Net value	**-**	**-**

Depreciation for 2021 was recognised in the result of discontinued operations.

The Group companies recognised in their profit and loss accounts the following balances of investment-property related income and expense:

	2022	2021
Rental income	-	-
Direct operating expenses (incl. repair and maintenance costs) relating to investment property that generated rental income	-	-
Direct operating expenses (incl. repair and maintenance costs) relating to investment property that *did not* generate rental income	-	291

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

12. Intangible assets

	Computer software	Development costs	Right to waste landfilling	Waste processing permit	Other	Intangible assets under construction/ development	Total
Gross value as at 1 January 2022	**75 799**	**450**	**53 825**	**86 306**	**36**	**9 060**	**225 476**
Increases:	**1 741**	**-**	**-**	**7 322**	**-**	**5 037**	**14 100**
– change in Group composition (note 7)	**-**	**-**	**-**	7 322	**-**	**-**	**7 322**
– purchase	1 496	-	-	-	-	-	**1 496**
– prepayments made	-	-	-	-	-	5 257	**5 257**
– prepayments settlement	220	-	-	-	-	(220)	**-**
– foreign exchange differences	20	-	-	-	-	-	**20**
– other	5	-	-	-	-	-	**5**
Decreases:	**(3 608)**	**-**	**-**	**-**	**-**	-	**(3 608)**
– liquidation	(3 608)	-	-	-	-	-	**(3 608)**
Gross value as at 31 December 2022	**73 932**	**450**	**53 825**	**93 628**	**36**	**14 097**	**235 968**
Accumulated amortization as at 1 January 2022	**(47 417)**	**(169)**	**(14 752)**	**(12 523)**	**(36)**	**-**	**(74 897)**
Movements for the period:	**(4 781)**	**(225)**	**(4 890)**	**(6 081)**	**-**	**-**	**(15 977)**
– charge for the period (note 31)	(8 374)	(225)	(4 890)	(6 081)	-	-	**(19 570)**
– liquidation	3 608	-	-	-	-	-	**3 608**
– foreign exchange differences	(11)	-	-	-	-	-	**(11)**
– other	(4)	-	-	-	-	-	**(4)**
Accumulated amortization as at 1 December 2021	**(52 198)**	**(394)**	**(19 642)**	**(18 604)**	**(36)**	**-**	**(90 874)**
Net value as at 1 January 2022	**28 382**	**281**	**39 073**	**73 783**	**-**	**9 060**	**150 579**
Net value as at 31 December 2022	**21 734**	**56**	**34 183**	**75 024**	**-**	**14 097**	**145 094**

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

	Computer software	Development costs	Right to waste landfilling	Waste processing permit	Other	Intangible assets under construction/ development	Total
Gross value as at 1 January 2021	**68 985**	**-**	**53 825**	**86 306**	**36**	**11 030**	**220 182**
Increases:	**10 092**	**450**	**-**	**-**	**-**	**(1 970)**	**8 572**
– purchase	1 834	-	-	-	-	-	**1 834**
– prepayments made	-	-	-	-	-	6 738	**6 738**
– prepayments settlement	8 258	450	-	-	-	(8 708)	**-**
Decreases:	**(3 278)**	**-**	**-**	**-**	**-**	-	**(3 278)**
– change in Group composition	(1 584)	-	-	-	-	-	**(1 584)**
– sale	(1 363)	-	-	-	-	-	**(1 363)**
– foreign exchange differences	(3)	-	-	-	-	-	**(3)**
– liquidation	(328)	-	-	-	-	-	**(328)**
Gross value as at 31 December 2021	**75 799**	**450**	**53 825**	**86 306**	**36**	**9 060**	**225 476**
Accumulated amortization as at 1 January 2021	**(41 845)**	**-**	**(8 758)**	**(7 515)**	**(34)**	**-**	**(58 152)**
Movements for the period:	**(5 572)**	**(169)**	**(5 994)**	**(5 008)**	**(2)**	**-**	**(16 745)**
– charge for the period (note 31)*	(7 579)	(169)	(5 994)	(5 010)	-	-	**(18 752)**
– change in Group composition	758	-	-	-	-	-	**758**
– sale	921	-	-	-	-	-	**921**
– liquidation	328	-	-	-	-	-	**328**
– foreign exchange differences	1	-	-	-	-	-	**1**
– other	(1)	-	-	2	(2)	-	**(1)**
Accumulated amortization as at 1 December 2021	**(47 417)**	**(169)**	**(14 752)**	**(12 523)**	**(36)**	**-**	**(74 897)**
Net value as at 1 January 2021	**27 140**	**-**	**45 067**	**78 791**	**2**	**11 030**	**162 030**
Net value as at 31 December 2021	**28 382**	**281**	**39 073**	**73 783**	**-**	**9 060**	**150 579**

**data include the amount of PLN 34 thousand transferred to discontinued operations*

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

Amortisation of intangible assets was recognised under the following items of the profit and loss account:

	2022	2021
Cost of development of finished goods and services sold	11 897	11 826
Administrative expenses	7 556	6 776
Selling expenses	117	116
Total – continuing operations (note 31)	**19 570**	**18 718**
Discontinued operations	-	34
Total – amortization of intangible assets	**19 570**	**18 752**

The Group did not report any material intangible assets developed internally or leased. Costs of completed development work include assets purchased and maintained by external research units.

The value of expenditure on research and development recognized as cost in 2022 was PLN 88 867 thousand (in 2021: PLN 16 846 thousand).

As at 31 December 2022 and 31 December 2021, Group companies reported no material liens or encumbrances *(obciążenia o charakterze prawnorzeczowym)* or encumbrances obligating to perform a legal act *(obciążenia obligacyjne)* established on their intangible assets.

No impairment write-downs against intangible assets were made in the year 2022 or 2021.

13. Goodwill of subordinated entities

Goodwill of subordinated entities amounted as at 31 December 2022 to PLN 178 198 thousand (31 December 2021: PLN 168 508 thousand) and was composed of:

- goodwill of Budimex Dromex SA in the amount of PLN 73 237 thousand,
- goodwill recognized on the acquisition of the FBSerwis SA Group in the amount of PLN 95 271 thousand, and
- goodwill recognized in 2022 on the acquisition of Zakład Przetwarzania Odpadów Zawisty Sp. z o.o. in the amount of PLN 9 690 thousand (note 7.2).

Impairment test of goodwill that originated on acquisition of shares of Budimex Dromex SA

Goodwill is allocated to the cash generating units in the Group. It is assumed that the cash generating unit for the goodwill that arose on the acquisition of Budimex Dromex SA by Budimex SA is the part of the construction segment referring to domestic general construction and infrastructure.

The recoverable amount of the cash generating unit is determined on the basis of calculations of value in use. The calculations make use of the projections of five-year cash flows. Cash flows beyond the five-year period were assessed at fixed real levels. The adopted growth rate does not exceed long-term average growth rate for the construction industry, in which the cash generating unit operates. The calculations assumed the gross margin ranging from 8.8% to 9.4%, while the applied discount rate was 11% (after rounding and grossing up). The Management Board determined budgeted gross margin on the basis of historical data and its projections for market development. Weighted average growth rates are consistent with the forecasts presented in industry reports. The applied discount rate is a pre-tax rate that accounts for the specific threats of individual segments. No reasonable change in test assumptions would cause goodwill impairment.

Based on the impairment test of goodwill which was performed as at 31 December 2022, the Management Board concluded that there was no need to recognize goodwill impairment write-down.

Impairment test of goodwill that originated on acquisition of shares of FBSerwis SA

It is assumed that for the goodwill that originated on the acquisition of shares of FBSerwis SA by Budimex SA, which resulted in the acquisition of control over FBSerwis SA and its subsidiaries, the cash generating unit is the entire business activity of the FBSerwis Group belonging to the dominant shareholder.

The recoverable amount of the cash generating unit is determined on the basis of calculations of value in use. The calculations make use of the projections of five-year cash flows. Cash flows beyond the five-year period were estimated at a stable level. The adopted growth rate does not exceed long-term average growth rate for the service industry, in which the cash generating unit operates. The calculations assume the level of EBITDA (earnings before interest, taxes, depreciation and amortization) ranging between 11.9% and 17.1%, while the applied discount rate was 12.6%. The Management Board determined the forecasted margin based on historical results and the forecasts (own and those of the key management of the FBSerwis Group) regarding future results of the FBSerwis Group. No reasonable change in test assumptions points to a possible impairment of goodwill.

Based on the results of the impairment test of goodwill originating on the acquisition of shares in FBSerwis SA, which was performed as at 31 December 2022, the Management Board concluded that there was no need to recognize goodwill impairment write-down.

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

14. Investments in equity-accounted entities

	2022	2021
Opening balance	**2 270**	**2 221**
– of which goodwill	-	-
Share in profits / (losses)*	135	67
Dividend paid by associates	-	(18)
Closing balance	**2 405**	**2 270**
– of which goodwill	-	-

*) Shares in profits/ (losses) for the period also cover part of the prior year's result, which was not consolidated in the year, to which it related. The consolidated financial statements of the Budimex Group were based on the preliminary financial data of associates for a given financial year, and the financial statements of these entities changed after publication by the Group of its consolidated financial statements. In 2022, the share in the result of equity accounted entities was adjusted by the amount of PLN 9 thousand. In 2021, the Group's share in the results of equity accounted entities was adjusted by the amount of PLN (4) thousand.

The list of associates as at 31 December 2022 and 31 December 2021:

Entity name	Type	Registered office	Share in the issued capital and in the number of votes (%)	
			31 December 2022	31 December 2021
Promos Sp. z o.o.	associate	Cracow / Poland	26.31%	26.31%

The selected financial data of the associate, Promos Sp. z o.o., as at 31 December 2022 and 31 December 2021 are as follows:

Promos Sp. z o.o.	2022	2021
Non-current assets	8 805	14 508
Current assets	7 460	1 525
Non-current liabilities	(2 076)	(5 011)
Current liabilities	(5 048)	(2 394)
Revenue	12 575	12 927
Profit (loss) from continuing operations	478	269
Profit (loss) after tax from discontinued operations	-	-
Other comprehensive income	-	-
Comprehensive income for the period	478	269
Dividend received from the associate	-	18

The reconciliation of the above financial information to the carrying amount of shares in Promos Sp. z o.o. reported in the consolidated financial statements is as follows:

Promos Sp. z o.o.	31 December 2022	31 December 2021
Net assets	9 141	8 628
The Group's equity interest in the associate	26.31%	26.31%
Other adjustments	-	-
Carrying amount of the Group's equity interest in the associate	**2 405**	**2 270**

The Group's share in the results of associates was as follows:

	2022	2021
Share in profits of associates	135	67
Total	**135**	**67**

In the years 2021-2022, the Group's share in other comprehensive income of associates amounted to PLN 0.

As at 31 December 2022 and 31 December 2021, the Budimex Group had no share in the contingent assets and contingent liabilities of associates.

The Budimex Group does not manage Promos Sp. z o.o. actively.

The associate conducts property maintenance and property lease activities.

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

15. Financial assets and financial liabilities

The Budimex Group has the following financial instruments – presented below is their classification:

		Note	31 December 2022	31 December 2021
FINANCIAL ASSETS				
Financial assets measured at amortized cost				
Retentions for construction contracts		29	166 513	184 527
Receivables from service concession arrangements		16	46 511	46 638
Valuation of construction contracts		27	532 484	729 415
Trade and other receivables*		17	861 295	1 134 367
Other financial assets (loans granted)		15.1	1 987	-
Financial assets at fair value through profit or loss (FVPL)				
Cash and cash equivalents	*level 2 of the fair value hierarchy according to IFRS 13*	19	3 249 369	2 715 795
Other financial assets (derivative financial instruments)	*level 2 of the fair value hierarchy according to IFRS 13*	15.2	8 641	1 520
Investments in equity instruments	*level 3 of the fair value hierarchy according to IFRS 13*	15.3	7 545	8 670
Balance at the end of the period			**4 874 345**	**4 820 932**

FINANCIAL LIABILITIES				
Financial liabilities measured at amortised cost				
Trade and other payables**		23	1 247 534	1 159 922
Retentions for construction contracts		29	448 002	446 550
Loans and borrowings and other external sources of finance		22	225 141	239 046
Other financial liabilities (liability from deferred payment for shares)		15.4	13 603	17 700
Liabilities measured at fair value through profit or loss (FVPL)				
Other financial liabilities (derivative financial instruments)	*level 2 of the fair value hierarchy according to IFRS 13*	15.2	2 439	5 695
Balance at the end of the period			**1 936 719**	**1 868 913**

*except for the amounts of accrued income, taxation, subsidy, customs duty and social security debtors, and except for prepayments
**financial liabilities according to note 23

In the 12-month periods ended 31 December 2022 and 31 December 2021, there were no movements between Level 1 and Level 2 of the fair value hierarchy, and there were no movements from/ to Level 3 of this hierarchy.

Investments in equity instruments classified to Level 3 are measured at historical cost adjusted for impairment losses (see note 15.3).

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

Revenues, costs, gains and losses recognised in the profit and loss account, by financial instrument category

For the period from 1 January 2022 to 31 December 2022

	Financial assets measured at fair value through profit or loss (FVPL) from initial recognition	Financial assets measured at amortized cost	Financial liabilities measured at fair value through profit or loss (FVPL) from initial recognition	Financial liabilities measured at amortized cost	Total
Interest income /(expense)	112 771	(475)	-	(1 330)	**110 966**
Foreign exchange gains /(losses)	(2 590)	(3 674)	-	8 845	**2 581**
Reversal/ (recognition) of impairment write-downs	(129)	(16 718)	-	-	**(16 847)**
Statute-barred liabilities written-off	-	-	-	6 138	**6 138**
Valuation gains/(losses)	8 710	2 125	(1 340)	11 753	**21 248**
Gains /(losses) on disposal/ realization of financial instruments	(1 369)	-	314	-	**(1 055)**
Total	**117 393**	**(18 742)**	**(1 026)**	**25 406**	**123 031**

For the period from 1 January 2021 to 31 December 2021

	Financial assets measured at fair value through profit or loss (FVPL) from initial recognition	Financial assets measured at amortized cost	Financial liabilities measured at fair value through profit or loss (FVPL) from initial recognition	Financial liabilities measured at amortized cost	Total
Interest income /(expense)	2 217	390	-	(4 835)	**(2 228)**
Foreign exchange gains /(losses)	403	(498)	-	(57)	**(152)**
Reversal/ (recognition) of impairment write-downs	(2 141)	8 900	-	-	**6 759**
Statute-barred liabilities written-off	-	-	-	5 517	**5 517**
Valuation gains/(losses)	(542)	(157)	273	2 920	**2 494**
Gains /(losses) on disposal/ realization of financial instruments	783	-	(2 018)	-	**(1 235)**
Total	**720**	**8 635**	**(1 745)**	**3 545**	**11 155**

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

15.1 Loans granted

As at 31 December 2022 and 31 December 2021, the Group did not have any loans to non-Group entities.

	2022	2021
Opening balance	**-**	**-**
– loan granted	1 910	-
– accrued interest (note 34)	77	-
– repayment of loan granted	-	-
– interest repayment	-	-
Closing balance	**1 987**	**-**
of which:		
– long-term	-	-
– short-term	*1 987*	-

During 2022, Budimex SA granted two loans to Budimex F Sp. z o.o.; loan agreements were concluded on 1 February 2022 and 1 June 2022, respectively. During 2022, loan tranches in the amount of PLN 1 910 thousand were disbursed. The value of accrued loan interest was PLN 77 thousand. As at 31 December 2022, loan principal and loan interest accrued in 2022 remained unpaid. The maturity date for both loans was set at 31 May 2023, and their effective interest rate in 2022 was 6.99% and 9.78%, respectively.

During 2021, no loans were granted to non-consolidated Group companies.

The fair value of the loans granted approximates their carrying amounts. Loans granted were classified as financial assets measured at amortized cost.

15.2 Derivative financial instruments

Policies concerning use of derivative financial instruments are defined in the Group Risk Management Policy authorized by the Management Board.

Derivative financial instruments (derivatives) are measured at the reporting date at a reliably determined fair value. Fair value of forward transactions is estimated using the model based on currency exchange rates (closing rate) prevailing on the reporting date and on differences in interest rates of the quotation and base currencies. IRSs' (interest rate swaps) fair value is estimated based on discounted future cash flows related to interest exchange. An IRS interest rate curve prevailing at the reporting date is used for discounting purposes. Fair value of currency options is determined using banking models based on the expected market price of the underlying instrument, the exercise price, the time remaining to exercise date and the volatility of the underlying instrument price.

The effects of periodic valuation and settlement of FX forward contracts and currency options are reported in the profit and loss account as part of the operating activities, while the effects of periodic valuation and settlement of interest rate swaps are reported in the financing activities.

	2022	2021
Gains/ (losses) on valuation of FX forward contracts and currency options	5 223*	(4 417)
Gains / (losses) on realisation of FX forward contracts	(1 350)	(398)
Total gains / (losses) on derivative financial instruments recognised as part of operating activities (note 33)	**3 873**	**(4 815)**
Gains/ (losses) on valuation of IRS contracts	2 147*	4 148
Gains/ (losses) on realisation of IRS contracts	295	(837)
Total gains / (losses) on derivative financial instruments recognised as part of financing activities (note 34)	**2 442**	**3 311**

**The difference of PLN 3 007 thousand compared to the year-end change of financial assets and liabilities due to derivatives valuation results from the payment and capitalization of the option premium in this amount*

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

The fair value of the transactions concluded by Group companies and open as at 31 December 2022 and 31 December 2021 is presented in the table below:

	Financial assets arising from derivatives valuation		Financial liabilities arising from derivatives valuation	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Currency options:	**2 397**	**-**	**-**	**-**
– up to 1 year	*33*	-	-	-
– 1 – 2 years	*1 392*	-	-	-
– 3 – 5 years	*972*	-	-	-
FX forward contracts	**4 369**	**1 520**	**2 439**	**5 423**
– up to 1 year	*3 831*	*1 496*	*2 223*	*3 619*
– 1 – 2 years	*391*	*24*	*43*	*1 804*
– 3 – 5 years	*147*	-	*173*	-
Interest rate swaps (IRSs)	**1 875**	**-**	**-**	**272**
– up to 1 year	-	-	-	-
– 1 – 2 years	*971*	-	-	*119*
– 3 – 5 years	*410*	-	-	*4*
– above 5 years	*494*	-	-	*149*

The total nominal absolute value of FX forward contracts as at 31 December 2022 was EUR 94 780 thousand, while as at 31 December 2021 - EUR 86 265 thousand and CHF 440 thousand.

Forward selling/ buying rate for Euro-based transactions open as at 31 December 2022 ranged EUR/ PLN 4.6457 – 5.3815 (as at 31 December 2021 – EUR/ PLN 4.5045 – 4.9260). Euro-based forward transactions open as at 31 December 2022 are to be settled within 26 - 1 034 days (as at 31 December 2021, transaction settlement date was 27 - 545 days).

As at 31 December 2022, the Group did not have FX Forward transactions denominated in Swiss francs. Forward selling/ buying rate for CHF-based transactions open as at 31 December 2021 was CHF/ PLN 4.4634 – 4.5638. CHF-based forward transactions open as at 31 December 2021 were to be settled within 27 -209 days.

The value of purchased currency options as at 31 December 2022 amounted to EUR 48 000 thousand (as at 31 December 2021, the Group did not have currency options). As at 31 December 2022, the exchange rate of open currency options was EUR/PLN 4.690 - 4.6920. Euro-based currency options open as at 31 December 2022 are to be settled within 299 - 1 034 days.

As at 31 December 2022 and as at 31 December 2021, the Group had open IRS transactions, under which it will pay fixed interest rate and will receive 3M WIBOR floating rate. The nominal value of individual IRS transactions did not exceed PLN 10 000 thousand. The longest maturity date for said transactions falls on 30 September 2030.

As at 31 December 2022 and 31 December 2021, the Group companies did not apply hedge accounting.

15.3 Investments in equity instruments

Investments in equity instruments comprise solely shares in the companies.

	2022	2021
Opening balance	**8 670**	**6 922**
Increases:	**626**	**3 894**
– increase in/ contribution to the issued capital of non-consolidated entities	626	3 894
Decreases	**(1 751)**	**(2 146)**
– inclusion in consolidation	(1 622)	-
– impairment write-downs (note 34)	(129)	(2 141)
– change in Group composition	-	(5)
Closing balance	**7 545**	**8 670**
of which:		
– long-term	*7 545*	*8 670*
– short-term	-	-

On 1 September 2022, Budimex M Sp. z o.o. was registered in the National Court Register. Budimex SA acquired 100% of shares in this company. The amount of the contributed issued capital, including capitalized taxes, amounted to PLN 52 thousand.

On 5 September 2022, Budimex P Sp. z o.o. was registered in the National Court Register. Budimex SA acquired 100% of shares in this company. The amount of the contributed issued capital, including capitalized taxes, amounted to PLN 51 thousand.

On 6 September 2022, Budimex R Sp. z o.o. was registered in the National Court Register. Budimex SA acquired 100% of shares in this company. The amount of the contributed issued capital, including capitalized taxes, amounted to PLN 51 thousand.

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

On 9 September 2022, Budimex N Sp. z o.o. was registered in the National Court Register. Budimex SA acquired 100% of shares in this company. The amount of the contributed issued capital, including capitalized taxes, amounted to PLN 51 thousand.

On 20 September 2022, Budimex O Sp. z o.o. was registered in the National Court Register. Budimex SA acquired 100% of shares in this company. The amount of the contributed issued capital, including capitalized taxes, amounted to PLN 51 thousand.

During 2022, an increase was also made in the issued capital in Budimex Construction Prague s.r.o. by PLN 290 thousand and in the issued capital of ConVentures Sp. z o.o. by PLN 80 thousand; as at 31 December 2022, said increase transactions have not yet been registered in the National Court Register. Due to the net losses incurred by ConVentures Sp. z o.o. and the lack of planned positive cash flows, it was decided to recognize an impairment write-down on the shares in the amount of PLN 129 thousand.

Due to the commencement of significant operating activities by Budimex PPP SA, Budimex Most Wschodni SA and Budimex Slovakia s.r.o., in 2022 these entities were included in consolidation and thus the investments in capital instruments decreased by a total of PLN 1 622 thousand.

In the next 12 months, the Group does not intend to sell any of its investments in equity instruments. Investments in equity instruments were classified as financial assets measured at fair value through profit or loss (FVPL). Due to the fact that determining fair value of these assets is not possible (they are not listed), it was assumed that the most reasonable value for their recognition is the book value.

15.4 Liabilities due to deferred payment for shares

As at 31 December 2022, the Budimex Group reported liabilities due to deferred payment for shares in Magnolia Energy Sp z o.o. and Zakład Przetwarzania Odpadów Zawisty Sp. z o.o. As at 31 December 2022, this liability amounted to PLN 13 603 thousand, of which PLN 12 591 thousand was presented as a long-term liability and PLN 1 012 thousand as a short-term liability.

As at 31 December 2021, the Budimex Group reported liabilities due to deferred payment for shares in FBSerwis Karpatia Sp. z o.o. and FBSerwis Wrocław Sp. z o.o. As at 31 December 2021, this liability amounted to PLN 17 700 thousand and was presented as a short-term item and was measured at nominal value. The liability was repaid in January 2022.

16. Receivables from service concession arrangements

One of the Group companies (operator) concluded with a public sector entity an agreement concerning drafting design/ project documentation and construction of an underground car park with ground parking lots in Wrocław. As consideration, the company was granted the right to the exclusive, paid-for use of the car park and to the collection of charges for parking tickets from car park users. The service concession arrangement was concluded for a period of 30 years and 4 months. In accordance with this service concession arrangement, the operator is obligated to maintain the constructed infrastructure to certain unchanged level of serviceability throughout the term of the arrangement. The arrangement defines also the guaranteed level of revenue to be received by the operator, should the level of revenue from parking tickets differ from the base revenue set forth in the service concession arrangement for the given year. The price for service provision (parking of cars in the car park) is determined in the service concession arrangement. The operator has the right to modify this price at least once a year by at least the value of indexation.

A test was performed at the date of service concession arrangement which confirmed that the payments guaranteed under the arrangements cover the construction contract consideration expressed in fair value. Thus, the revenue from the construction services was recognised in its entirety as financial assets. The fair value of the concession arrangement receivables approximates their carrying amount.

Movements in receivables from service concession arrangements

	2022	2021
Opening balance	**46 638**	**46 769**
Increases:	**2 875**	**2 885**
– valuation of financial assets at amortised cost (note 34)	2 875	2 885
Decreases	**(3 002)**	**(3 016)**
– repayments	(3 002)	(3 016)
Closing balance	**46 511**	**46 638**
of which:		
– long-term	*46 511*	*46 638*

In 2022 and 2021, revenue and gains/ (losses) from construction services under realised service concession arrangements did not occur.

Receivables from service concession arrangements were classified as financial assets measured at amortized cost.

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

17. Trade and other receivables

	31 December 2022	31 December 2021
Long-term trade and other receivables		
Prepayments and accruals	24 441	27 475
Long-term trade and other receivables, net	**24 441**	**27 475**
Impairment write-down against long-term receivables	112	110
Long-term trade and other receivables, gross	**24 553**	**27 585**
Short-term trade and other receivables		
Trade receivables	837 430	1 115 765
Advance payments made	36 686	25 931
Taxation, subsidy, customs duty, social security, health insurance and other debtors	25 871	30 176
Prepayments and accruals	28 663	27 388
Other receivables	23 865	18 602
Short-term trade and other receivables, net	**952 515**	**1 217 862**
Impairment write-down against receivables	110 524	99 007
Short-term trade and other receivables, gross	**1 063 039**	**1 316 869**
Total trade and other receivables, net	**976 956**	**1 245 337**

Prepayments mainly include guarantee and insurance costs paid in advance.

No credit risk concentration in respect of trade receivables was identified due to the fact that the main customers of the Group are government administration offices or state-owned companies implementing government infrastructure investment programs. Trade receivables from 5 contractors with the largest balances as at 31 December 2022 amounted to a total of PLN 463 108 thousand and accounted for 55.30% of the total value of trade receivables:

31 December 2022	balance	% share
Contractor 1	172 727	20.63%
Contractor 2	175 133	20.91%
Contractor 3	79 467	9.49%
Contractor 4	20 684	2.47%
Contractor 5	15 097	1.80%
Other	374 322	44.70%
Total trade receivables	**837 430**	**100.00%**

Trade receivables from the 5 contractors with the largest balances as at 31 December 2021 amounted to a total of PLN 696 284 thousand and accounted for 62.40% of the total value of trade receivables:

31 December 2021	balance	% share
Contractor 1	545 726	48.91%
Contractor 2	58 622	5.25%
Contractor 3	32 644	2.93%
Contractor 4	32 177	2.88%
Contractor 5	27 115	2.43%
Other	419 481	37.60%
Total trade receivables	**1 115 765**	**100.00%**

The fair value of trade and other receivables approximates their carrying amount.

As at 31 December 2022 and 31 December 2021, no securities or collaterals were established on these assets.

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

Impairment write-downs against long- and short-term trade receivables, retentions for construction contracts and other receivables

	2022	2021
Impairment write-downs against receivables - opening balance	**99 117**	**113 392**
Charged to other operating expenses (note 33)	22 240	8 955*
Reversed to other operating income (note 33)	(5 522)	(17 849)**
Utilised	(5 242)	(5 189)
Foreign exchange differences	43	(63)
Change in Group composition	-	(129)
Impairment write-downs against receivables - closing balance	**110 636**	**99 117**

**including PLN 16 thousand recognised in profit from discontinued operations in 2021*
*** including PLN (10) thousand recognised in profit from discontinued operations in 2021*

Total impairment write-downs against trade receivables, retentions by customers and other receivables have been measured at the amount of lifetime expected credit losses of the given financial asset.

Methodology to calculate impairment write-downs in the amount of expected credit losses

The Budimex Group analyses credit risk for trade receivables and amounts retained by customers, by the following groups of amounts receivable:
1. public investor receivables from main sales
2. private investor receivables from main sales
3. other receivables from other contractors from re-invoiced raw materials, re-invoiced costs and re-invoiced owner's representation/ project supervisor *(wykonawstwo zastępcze)* expenses etc.

For the above groups of receivables, a portfolio analysis was performed and a simplified matrix was used for the impairment write-downs in individual receivable ageing categories, based on the receivables' lifetime expected credit losses calculated using the indexes of impairment write-downs in the individual categories determined using the 2018-2022 historical data.

1. In the analysed period, on average more than 80% of sales was realised to the public sector companies, including in a significant part to the state-owned companies. Given the fact that the Group does not does not assume any significant change in the realized sales structure, and the level of impairment write-downs against past due receivables from these entities was approx. 0.2%, the credit risk for this portfolio was assessed as insignificant.

The remaining part of the portfolio relates to receivables from private investors and from other contractors:

2. Receivables from private contractors incur the highest credit risk. However, the preventive credit risk control policy applied by the Budimex Group minimizes the level of non-performing receivables also in this part of the portfolio The average for the last 5 years shows that the level of impairment write-downs approximated 0.2% of portfolio receivables.

3. Receivables from other contractors incur higher credit risk. However, due to the their marginal share in total receivables (of approx. 5.9%, and approx. 0.1% share in total sales) and the adopted policy for their valuation and revaluation at the time of origination based on expected cash flows and held securities (guarantees and retentions to be set-off against), they do not have any significant impact on risk assessments in the future.

Given the specific character of construction contracts, the receivables considered by the Budimex Group as non-performing (i.e. those whose credit risk has increased significantly) are the receivables which are past due for more than 180 days or receivables from the contractors facing bankruptcy. If this is the case, then, irrespective of the maturity date or future risk estimate, a 100% write-down is recognized based on the monthly analysis of overdue receivables obtained for individual contractors (if set-off against liabilities of the same contractor is not possible).

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

The cost of receivables impairment write-down is analysed for the entire lifetime of these assets, while taking into account that the revaluation does not mean a decision to discontinue debt recovery, but only indicates prudency in the approach to financial assets valuation.

As at 31 December 2022, all overdue long- and short-term other receivables and retentions by customers in the amount of PLN 42 576 thousand were classified to the category of receivables whose credit risk increased significantly (as at 31 December 2021 – the balance of this item was PLN 36 362 thousand).

As at 31 December 2022, the total impairment write-down in the amount of expected credit losses for receivables and retentions by customers was PLN 110 636 thousand (PLN 99 117 thousand as at 31 December 2021).

Ageing analysis of trade receivables

	31 December 2022	31 December 2021
Trade receivables due and receivable in:		
- up to 1 month	451 687	680 466
- 1 – 3 months	204 819	310 081
- 3 – 6 months	-	1 467
- 6 months – 1 year	-	39 113
- above 1 year	-	-
- overdue receivables	248 984	147 393
Trade receivables, gross	**905 490**	**1 178 520**
Impairment write-downs	68 060	62 755
Trade receivables, net	**837 430**	**1 115 765**

The Group's exposure to credit risk in relation to trade receivables as at 31 December 2022 is presented in the table below:

	Short-term trade receivables as at 31 December 2022						
	current	overdue for					Total
		1-30 days	31-90 days	91-180 days	181-365 days	>365 days	
Risk of default*	1.69%	0.13%	0.34%	0.39%	79.05%	60.71%	
Gross value of risk-exposed receivables (gross value at risk)	656 506	119 010	23 059	14 286	2 310	90 319	905 490
ECL allowance	11 111	151	79	56	1 826	54 837	68 060

**includes standard risk determined based on historical data and additional impairment write-downs made for selected contractors*

The Group's exposure to credit risk in relation to trade receivables as at 31 December 2021 is presented in the table below:

	Short-term trade receivables as at 31 December 2021						
	current	overdue for					Total
		1-30 days	31-90 days	91-180 days	181-365 days	>365 days	
Risk of default	0.14%	1.07%	9.97%	5.99%	4.50%	73.22%	
Gross value of risk-exposed receivables (gross value at risk)	1 031 127	25 258	9 496	8 517	24 281	79 841	1 178 520
ECL allowance	1 474	271	947	510	1 092	58 461	62 755

**includes standard risk determined based on historical data and additional impairment write-downs made for selected contractors*

The receivables for which no impairment write-down was recognised and which are not past due, do not incur high credit risk.

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

18. Inventories

	31 December 2022	31 December 2021
Raw materials - own	743 724	428 602
Semi-finished goods and work in progress – own	54	358
Inventories net value - closing balance	**743 778**	**428 960**
Inventory impairment write-downs	7 688	7 688
Inventories gross value - closing balance	**751 466**	**436 648**

Inventory impairment write-downs

	2022	2021
Inventory impairment write-downs - opening balance	**7 688**	**19 292**
Charged to other operating expenses (note 33)	-	860
Reversed to other operating income (note 33)	-	(247)
Change in Group composition	-	(12 217)
Inventory impairment write-downs – closing balance	**7 688**	**7 688**

The reasons for reversing inventory impairment write-downs are presented in the table below:

	2022	2021
Inventory sale	-	247
Total	**-**	**247**

As at 31 December 2022 and 31 December 2021, no inventories were pledged as collaterals.

In the years 2021-2022, no inventories were financed by loans.

As at 31 December 2022 and 31 December 2021, no inventories were to be utilised or sold in the period of more than 12 months.

19. Cash and cash equivalents

	31 December 2022	31 December 2021
Cash on hand	209	182
Cash at bank	3 249 160	2 715 613
Total cash and cash equivalents	**3 249 369**	**2 715 795**
Cash and cash equivalents of restricted use	(27 959)	(30 910)
Cash recognised in the statement of cash flows	**3 221 410**	**2 684 885**

Included in cash and cash equivalents of restricted use are the following:

	31 December 2022	31 December 2021
Cash of the consortia in the portion attributable to other consortium members	559	11 532
Cash on the split payment accounts	25 187	17 210
Cash and cash equivalents serving as loan collateral (note 38)	1 537	1 748
Other	676	420
Total cash and cash equivalents of restricted use	**27 959**	**30 910**

Short-term bank deposits and highly liquid investments included in cash and cash equivalents comprise mainly “overnight” deposits and short-term deposits with a maturity date of 5-99 days with an average effective interest rate as at 31 December 2022 of 7.01% per annum for PLN-based deposits (as at 31 December 2021: 0.84% p.a. for PLN-based deposits) and 1.29% for EUR-based deposits. The average maturity period for these deposits is 46 days (31 December 2021: 42 days) and for EUR-based deposits – 13 days.

In 2022, the Group acquired cash and cash equivalents with a value of PLN 2 163 thousand following guarantee realization (in 2021: PLN 2 524 thousand).

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

20. Equity

At the date of transition to IFRSs, the Group adjusted the value of issued capital and of share premium for the period, in which the Polish economy was hyperinflationary. The effects of the restatement and reconciliation of balances shown in the books of account and corporate records of Group companies as at 31 December 2022 and 31 December 2021 to the balances recognised in the financial statements are presented in the table below.

Issued capital	31 December 2022	31 December 2021
Issued capital as per books of account	**127 650**	**127 650**
Restatement of issued capital due to hyperinflation	18 198	18 198
Issued capital as per financial statements	**145 848**	**145 848**

Share premium	31 December 2022	31 December 2021
Share premium as per books of account	78 119	78 119
Restatement of share premium due to hyperinflation	2 080	2 080
Share premium as per financial statements	**80 199**	**80 199**

The value by which the issued capital and share premium were adjusted in connection with hyperinflation was recognised in equity under “Accumulated profits/ (losses) from previous years”.

The issued capital of the Parent Company consists of 25 530 098 shares with a total value of PLN 127 650 thousand. The structure of the issued capital of the Parent Company as at 31 December 2022 is as follows:

Share series/ issue	Class of shares	Type of preference	Type of restrictions on rights to shares	Number of shares	Value of series/ issues according to nominal value
A	ordinary/ registered	None	None	2 250	11
A	ordinary/bearer	None	None	2 997 750	14 989
B	ordinary/bearer	None	None	2 000 000	10 000
C	ordinary/bearer	None	None	1 900 285	9 502
D	ordinary/bearer	None	None	1 725 072	8 625
E	ordinary/bearer	None	None	2 000 000	10 000
F	ordinary/bearer	None	None	5 312 678	26 563
G	ordinary/bearer	None	None	2 217 549	11 088
H	ordinary/bearer	None	None	1 448 554	7 243
I	ordinary/bearer	None	None	186 250	931
K	ordinary/bearer	None	None	1 484 693	7 423
L	ordinary/bearer	None	None	4 255 017	21 275
Total				**25 530 098**	**127 650**

The number of shares making up authorised issued capital equates to the number of issued shares. The nominal value of one share is PLN 5.

The Parent Company does not hold treasury shares. Subsidiary and associated companies do not hold any shares in the Parent Company. No shares were reserved in connection with share issuance for the purpose of exercising share options or sales agreements.

Other reserves	31 December 2022	31 December 2021
Statutory	42 550	42 550
Created in accordance with Articles of Association, in excess of statutory (minimum) – revaluation reserve	4 164	4 164
Actuarial gains/ losses (note 24, 25)	999	(2 090)
Share-based payments (note 39)	7 171	7 171
Other	1 529	1 529
Total	**56 413**	**53 324**

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

Retained earnings (losses)	31 December 2022	31 December 2021
Retaine earnings representing reserve capital	434 389	442 375
Interim dividend from current year result (note 36)	-	(380 398)
Current year result	534 443	971 603
Total	**968 832**	**1 033 580**

The amount of profit assigned for distribution results from the financial statements of the Parent Company.

21. Equity attributable to non-controlling interests

	2022	2021
Balance at the beginning of the period	**41 767**	**37 920**
– share in profit/(loss) during the year	14 734	16 056
– share in consolidation adjustments	(1 048)	(1 205)
– dividend to non-controlling interests	(14 382)	(11 004)
Balance at the end of the period	**41 071**	**41 767**

Non-controlling interests in Budimex Parking Wrocław Sp. z o.o.

As at 31 December 2022 and 31 December 2021, the non-controlling interests accounted for 49.00% of the issued capital and the number of votes at the General Meeting of Budimex Parking Wrocław Sp. z o.o.

The selected financial data of Budimex Parking Wrocław Sp. z o.o. were as follows:

Budimex Parking Wrocław Sp. z o.o.	2022	2021
Statement of financial position		
Non-current assets	48 405	46 809
Current assets	4 428	3 962
Non-current liabilities	(28 341)	(29 824)
Current liabilities	(3 064)	(1 763)
Statement of comprehensive income		
Revenue	9 166	10 276
Profit (loss) from continuing operations	4 744	5 894
Profit (loss) after tax from discontinued operations	-	-
Other comprehensive income	-	-
Comprehensive income for the period	4 744	5 894
Dividends paid to non-controlling interest of Budimex Parking Wrocław Sp. z o.o.	980	980

Non-controlling interests in FBSerwis Kamieńsk Sp. z o.o.

As at 31 December 2022 and 31 December 2021, the Budimex Group held 80% of shares in FBSerwis Kamieńsk Sp. z o.o., which is part of the FBSerwis SA Group

The selected financial data of FBSerwis Kamieńsk Sp. z o.o. were as follows:

FBSerwis Kamieńsk Sp. z o.o.	2022	2021
Statement of financial position		
Non-current assets	72 637	69 701
Current assets	136 217	180 559
Non-current liabilities	(47 191)	(40 057)
Current liabilities	(73 198)	(117 943)
Statement of comprehensive income		
Revenue	273 756	267 780
Profit (loss) from continuing operations	62 047	65 841
Profit (loss) after tax from discontinued operations	-	-
Other comprehensive income	-	-
Comprehensive income for the period	62 047	65 841
Dividends paid to non-controlling interest of FBSerwis Kamieńsk Sp. z o.o.	13 157	10 024

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

22. Loans and borrowings and other external sources of finance

	31 December 2022	31 December 2021
	Carrying amount	
Non-current		
Bank loans and borrowings	31 497	36 220
Lease liabilities	117 170	119 039
Interest accrued on long-term loans and borrowings	39	10
	148 706	**155 269**
Current		
Bank loans and borrowings	4 873	4 547
Lease liabilities	71 550	79 229
Interest accrued on short-term loans and borrowings	12	1
	76 435	**83 777**
Total	**225 141**	**239 046**

Maturity analysis of loans and borrowings based on contractual undiscounted cash flows is as follows:

	31 December 2022		31 December 2021	
	Carrying amount	Contractual undiscounted cash flows *	Carrying amount	Contractual undiscounted cash flows *
– up to 1 year	4 885	6 985	4 548	5 346
– 1-3 years	10 171	13 658	9 683	10 866
– 3-5 years	5 336	7 861	8 760	9 382
– above 5 years	16 029	18 981	17 787	18 471
	36 421	**47 485**	**40 778**	**44 065**

*) comprise both principal and interest payments; as at 31 December 2022 and 31 December 2021, the amounts expressed in foreign currency were translated into Polish zloty at the NBP period-end exchange rates, and interest payments were calculated using the interest rates prevailing in the last interest period before 31 December 2022 and 31 December 2021.

The Group companies have the option of early repayment of loans and borrowings before maturity date. No penalty clause for early loan repayment was included in the loan agreements signed by Group companies.

In the period covered by these consolidated financial statements, no instances were identified of default on principal or interest payment, non-compliance with the provisions of the escrow account for liability settlement or the terms of redemption of these liabilities.

The Group companies did not breach or renegotiate the terms of bank loans and borrowings before the date of the authorization of these consolidated financial statements.

The carrying amount of long-term loans and borrowings approximates their fair value as interest rate terms and conditions set forth in these agreements are based on variable interest rate.

Loans and borrowings, by currency and by interest rate (translated into PLN):

	31 December 2022	31 December 2021
	Outstanding amount	
Long-term portion	31 536	36 230
PLN (WIBOR)	*24 628*	*26 250*
PLN (fixed interest rate)	*6 908*	*9 980*
Short-term portion	4 885	4 548
PLN (WIBOR)	*1 714*	*1 476*
PLN (fixed interest rate)	*3 171*	*3 072*
	36 421	**40 778**

Risk of interest rate fluctuations

The effective interest rates as at 31 December 2022 and 31 December 2021 were as follows:

	31 December 2022		31 December 2021	
	PLN	EUR	PLN	EUR
Bank loans and borrowings	3.50% - 7.30%	-	1.86% – 3.50%	-
Lease liabilities	7.00% - 8.63%	0.83%	1.85% - 3.59%	0.84%

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

Lease liabilities

The Budimex Group companies signed lease contracts for financing all classes of property, plant and equipment, mainly plant and machinery, and means of transport.

Leased assets were made available for the period from 13 months (construction site offices) to 1200 months (perpetual usufruct). After the completion of the original lease term and after the fulfilment of their obligations, the Group companies will have the right to acquire some of the leased assets for the price equating their residual value. The performance of some obligations under lease contracts is secured by blank promissory notes issued by the Group companies together with a written authorisation for their drawing.

Ageing analysis of lease liabilities

31 December 2022	Present value of lease payments*	Contractual undiscounted cash flows
– less than 1 year	71 550	75 030
– 1 – 3 years	63 298	68 025
– 3 – 5 years	19 351	21 025
– above 5 years	34 521	45 151
	188 720	**209 231**

31 December 2021	Present value of lease payments*	Contractual undiscounted cash flows
– less than 1 year	79 229	82 477
– 1 – 3 years	87 702	91 176
– 3 – 5 years	19 671	21 472
– above 5 years	11 666	20 808
	198 268	**215 933**

For some of their lease contracts, the Group companies have the option of early repayment of the remaining balances of lease liabilities. The underlying lease contracts do not contain clauses providing for penalties for early repayment of these liabilities.

23. Trade and other payables

	31 December 2022	31 December 2021
Short-term trade and other payables		
Financial liabilities		
Trade liabilities	193 495	170 262
Un-invoiced costs	645 500	630 943
Payroll	18 193	11 787
Accrued expenses, of which:	390 101	346 930
- unused annual leave	*69 566*	*58 266*
- employee bonus	*320 535*	*288 664*
Dividend payable	245	-
Non-financial liabilities		
Taxation and social security creditors	201 478	154 385
Accrued expenses	61 205	60 539
- costs of construction contracts completion	*57 090*	*56 244*
- other	*4 115*	*4 295*
Other liabilities	6 739	21 454
Total short-term trade and other payables	**1 516 956**	**1 396 300**
Total trade and other payables	**1 516 956**	**1 396 300**

All trade and other payables as at 31 December 2022 and 31 December 2021 were recognised under current liabilities as they will be settled in the course of the Group's normal operating cycle.

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

24. Income tax

	31 December 2022	31 December 2021
Deferred tax assets		
– to be realised after 12 months	240 351	229 391
– to be realised within 12 months	636 456	627 122
Total	**876 807**	**856 513**
Offsetting	(191 771)	(214 140)
Deferred tax assets, after set-off	**685 036**	**642 373**
Deferred tax liabilities		
– to be settled after 12 months	50 968	50 409
– to be settled within 12 months	141 952	164 561
Total	**192 920**	**214 970**
Offsetting	(191 771)	(214 140)
Deferred tax liabilities, after set-off	**1 149**	**830**

Movements in the net balance of deferred tax are as follows:

	2022	2021
Balance at the beginning of the year	**641 543**	**517 209**
Credit/ (charge) to financial result from continuing operations	44 701	137 285
Credit/ (charge) to other comprehensive income	(724)	(1 225)
Credit/ (charge) to discontinued operations	-	(22)
Change in Group composition	(1 631)	(11 691)
Other	(2)	(13)
Balance at the end of the year	**683 887**	**641 543**

	2022	2021
Current tax	183 554	224 941
Deferred tax	(44 701)	(137 285)
Adjustments to prior periods current income tax	(38 048)*	894
Tax expense/ (tax income)	**100 805**	**88 550**

Adjustments to current income tax in 2022 result from:

- *differences in income tax calculation in Poland identified between the date of the preparation of the consolidated financial statements for 2021 and the date of submission of tax return for 2021;*
- *application of the MLI Convention to the tax loss incurred in Lithuania in 2020 ;*
- *income tax adjustments in Germany for the years 2019-2021.*

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

The reconciliation of Group's accounting gross profit and notional amount that would be recognised had the weighted average rate of tax was applied to the profits of consolidated companies is as follows:

	2022	2021
Gross profit/ (loss)	**648 934**	**554 496**
Shares in (profits)/ losses of equity accounted entities	(135)	(67)
Pre-tax profit/ (loss)	**648 799**	**554 429**
Tax calculated using domestic tax rates	123 272	105 341
Differences in taxation of revenues of foreign operations	(720)	(3 218)
Adjustments to prior periods current income tax	(38 048)	894
Tax effects of permanent differences between gross profit and taxable income	346	2 563
Utilisation of previously unrecognized tax losses or prior period deductible temporary differences	(13 736)	(16 666)
Deductible temporary differences, carry-forward of unused tax losses and carry-forward of unused tax credits for which no deferred tax assets were recognised in the statement of financial position	27 174	6
Tax expense due to deferred tax on changes in tax rates	-	565
Tax expense/ (tax income) calculated with respect to industrial and commercial business operations in Germany	2 730	2 374
Other	(213)	(3 309)
Tax expense/ (tax income)	**100 805**	**88 550**
Effective tax rate	*15.54%*	*15.97%*

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

Movements in the balance of deferred tax assets, by title (before set-off), are presented in the table below:

	Deferred tax assets as at 1 January 2021	Recognition/ (utilisation) of deferred tax asset through profit or loss	Recognition/ (utilisation) of deferred tax asset through other comprehensive income	Change in Group composition	Other changes*	Deferred tax assets as at 31 December 2021	Recognition/ (utilisation) of deferred tax asset through profit or loss	Recognition/ (utilisation) of deferred tax asset through other comprehensive income	Change in Group composition	Other changes*	Deferred tax assets as at 31 December 2022
Valuation of construction contracts and provision for contract losses	302 452	102 326	-	-	(5 383)	399 395	40 971	-	-	-	440 366
Contract costs related to accrued income	90 162	23 679	-	-	5 383	119 224	(28 579)	-	-	-	90 645
Liabilities – un-invoiced costs	53 052	(4 574)	-	(150)	4 816	53 144	(4 901)	-	105	(48)	48 300
Tax loss	1 348	2 131	-	-	-	3 479	1 926	-	-	-	5 405
Provisions for warranty repairs	107 422	5 896	-	(2 082)	-	111 236	3 421	-	-	-	114 657
Other provisions for liabilities	83 492	20 446	-	(5 975)	(64 478)	33 485	(11 688)	-	-	(39)	21 758
Receivables - impairment write-downs	9 535	(1 437)	-	(2 036)	150	6 212	1 275	-	-	(15)	7 472
Employee bonus	48 257	5 237	-	(425)	-	53 069	7 218	-	-	(27)	60 260
Unused annual leave	9 184	888	-	(273)	-	9 799	2 960	-	33	(32)	12 760
Discount of retentions for construction contracts	445	578	-	-	-	1 023	142	-	-	-	1 165
Forward contracts valuation	1 077	(19)	-	-	-	1 058	(591)	-	-	(3)	464
Retirement benefits and similar obligations	3 801	309	(1 225)	(170)	-	2 715	239	(724)	-	(20)	2 210
Provision for land rehabilitation	9 108	517	-	-	-	9 625	956	-	-	-	10 581
Impairment write-downs against long-term financial assets	2 274	397	-	-	-	2 671	(138)	-	-	457	2 990
Lease liabilities	-	(18 675)	-	-	48 208	29 533	(1 062)	-	422	-	28 893
Costs to complete construction contracts in progress	-	2 146	-	-	7 895	10 041	111	-	-	-	10 152
Other	22 909	(14 281)	-	(1 220)	3 396	10 804	8 198	-	2	(275)	18 729
Total	**744 518**	**125 564**	**(1 225)**	**(12 331)**	**(13)**	**856 513**	**20 458**	**(724)**	**562**	**(2)**	**876 807**
Offsetting	(222 667)					(214 140)					(191 771)
After set-off (recognised in the statement of financial position)	**521 851**					**642 373**					**685 036**

**in 2022 and 2021, the Group reassessed the analysis of deferred tax by various titles and made reclassifications between deferred tax components*

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

Movements in the balance of deferred tax liabilities, by title (before set-off), are presented in the table below:

	Deferred tax liabilities as at 1 January 2021	Recognition / (utilisation) of deferred tax liability through profit or loss	Recognition / (utilisation) of deferred tax liability through other comprehensive income	Change in Group composition	Other changes*	Deferred tax liabilities as at 31 December 2021	Recognition / (utilisation) of deferred tax liability through profit or loss	Recognition / (utilisation) of deferred tax liability through other comprehensive income	Change in Group composition	Other changes*	Deferred tax liabilities as at 31 December 2022
Valuation of construction contracts	115 655	24 155	-	-	-	139 810	(33 252)	-	-	1	106 559
Forward transactions valuation	345	(43)	-	-	-	302	595	-	-	(14)	883
Discount of retentions for construction contracts	4 145	555	-	-	-	4 700	2 233	-	-	-	6 933
Receivables – accrued interest	3 437	(2 761)	-	(2)	-	674	3 695	-	-	(133)	4 236
Right to waste landfilling	8 563	(1 139)	-	-	-	7 424	(946)	-	-	-	6 478
Waste processing permit	14 970	(952)	-	-	-	14 018	(1 155)	-	1 391	-	14 254
Revenue from un-invoiced trade receivables	-	2 683	-	-	-	2 683	(779)	-	-	-	1 904
Leased assets	52 100	(18 339)	-	7	1 853	35 621	(905)	-	490	-	35 206
Other	28 094	(15 858)	-	(645)	(1 853)	9 738	6 271	-	312	146	16 467
Total	**227 309**	**(11 699)**	**-**	**(640)**	**-**	**214 970**	**(24 243)**	**-**	**2 193**	**-**	**192 920**
Offsetting	(222 667)					(214 140)					(191 771)
After set-off (recognised in the statement of financial position)	4 642					**830**					**1 149**

**in 2022 and 2021, the Group reassessed the analysis of deferred tax by various titles and made reclassifications between deferred tax components*

Deferred tax assets and deferred tax liabilities are recognised in respect of deductible and taxable temporary differences relating to local items of assets and liabilities using the 19% or 9% tax rate, while deferred tax assets and deferred tax liabilities arising from temporary differences relating to assets and liabilities of foreign operations – using the local tax rates of the country representing the primary economic environment, in which the given entity operates and pays income tax.

As at 31 December 2022, the deductible temporary differences for which deferred tax assets were not recognised in the statement of financial position amount to PLN 175 702 thousand (the value of deferred tax assets is PLN 33 383 thousand, respectively) and expire in 2023. The reason for the non-recognition of a deferred tax asset is the low probability of proving the non-recovery of debts (receivables) under Polish tax law and the inability to recognise provisions as tax deductible expense.

As at 31 December 2021, deductible temporary differences and carry-forward of unused tax losses for which *no* deferred tax asset was recognised in the statement of financial position amounted to PLN 238 555 thousand (the value of relevant deferred tax asset - PLN 45 325 thousand). The reason for the non-recognition of a deferred tax asset is the low probability of proving the non-recovery of debts (receivables) under Polish tax law, as well as the lack of taxable income in Lithuania.

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

25. Liabilities from retirement benefits and similar obligations

As at 31 December 2022, employees of the Budimex Group benefited from two types of employee benefits:

- the retirement-pension benefits
- posthumous benefits (only employees of FBSerwis SA and its subsidiary companies).

Retirement and pension benefits are one-off payments upon retirement. The amount of the retirement benefit/ pension benefit due and payable is the product of the base for benefit calculation at the date of entitlement (i.e. at the date the right to receive benefit payment vests) and the corresponding benefit multiplier, increasing with the years of service of the employee concerned.

Posthumous benefits are paid to employee family upon employee demise. The amount of the posthumous benefit due and payable is the product of the base for benefit calculation at the date of entitlement (i.e. at the date the right to receive benefit payment vests) and the corresponding benefit multiplier, increasing with the years of service of the employee concerned. Liability under posthumous benefits was recognised only in FBSerwis SA and its subsidiary companies, because in other Budimex Group companies employees were covered by life insurance policy.

Usually, the obligation to pay the retirement and pension benefits, and posthumous benefits entails the actuarial risk consisting of:

Interest rate risk – the present value of liabilities from retirement benefits and similar obligations is calculated using the discount rate established by reference to the profitability of T-bonds available on the market, as in Poland there are no highly liquid, low-risk commercial bonds. In case of a decrease in bonds interest rates, the balance of liabilities from retirement benefits and similar obligations increases.

Remuneration risk - the present value of liabilities from retirement benefits and similar obligations is calculated by reference to the future level of remuneration of employees of Budimex Group companies. Thus, an increase in employee remuneration will result in an increase in liabilities from retirement benefits and similar obligations.

Longevity risk - the present value of liabilities from retirement benefits and similar obligations is calculated by reference to the best estimates of employee mortality during employment period. Therefore, an increase in the employee life expectancy will result in an increase in liabilities from retirement benefits.

Risk of changes to retirement age - the present value of liabilities from retirement benefits and similar obligations is calculated based on statutory retirement age applicable in Poland.

Liabilities under employee benefits recognised in the statement of financial position:

	31 December 2022	31 December 2021
Retirement/ pension benefits, of which:	**11 570**	**14 117**
– present value of the obligation at the reporting date	11 570	14 117
Posthumous benefits, of which:	**78**	**309**
– present value of the obligation at the reporting date	78	309
Total retirement benefits and similar obligations	**11 648**	**14 426**
of which:		
– long-term portion	*10 070*	*12 580*
– short-term portion	*1 578*	*1 846*

Main actuarial assumptions adopted (the table below shows the range of appropriate rates adopted by the actuary; these assumptions vary between Group companies and between individual years):

	31 December 2022	31 December 2021
Discount rate	5.70% – 7.25%	2.92% – 3.08%
Expected future staff turnover	0.0% – 23.2%	0.0% – 24.7%
Forecast salary growth rate	5.0%– 10.0%	5.2%– 7.5%

Assumptions regarding life expectancy are based on the 2021 Polish Life Expectancy Tables published by the Statistics Poland (Central Statistical Office of Poland).

The last valuation of employee benefits was made by an independent actuary as at 31 December 2022.

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

Retirement and pension benefits

Movements in the balance of liability from retirement and pension benefits are presented in the table below.

	2022	2021
Present value of liability at the beginning of the period	**14 117**	**19 845**
Interest expense	381	46
Current service costs	1 468	2 388
Benefits paid	(580)	(814)
Actuarial (gains)/losses, of which arising from:	(3 816)	(6 451)
- ex post actuarial adjustments	*78*	*(234)*
- change in demographic assumptions	*(491)*	*(43)*
- change in financial assumptions	*(3 403)*	*(6 174)*
Change in Group composition	-	(897)
Present value of liability at the end of the period	**11 570**	**14 117**

Costs of future retirement and pension benefits charged to the profit and loss account are presented in the table below:

	2022	2021
Service costs	1 468	2 388
Interest expense	381	46
Costs recognised in the profit and loss account (note 32)	**1 849**	**2 434**
of which, employee allowances recognised in the profit and loss account under the following items:		
- cost of finished goods, goods for resale and raw materials sold	*(423)*	*724*
- administrative expenses	*2 272*	*1 710*
Actuarial (gains)/ losses	(3 816)	(6 451)
(Gains)/ costs recognised in other comprehensive income	**(3 816)**	**(6 451)**

Posthumous benefits

Posthumous benefits are paid to employee family upon employee demise. The amount of the posthumous benefit due and payable is the product of the base for benefit calculation at the date of entitlement (i.e. at the date the right to receive benefit payment vests) and the corresponding benefit multiplier, increasing with the years of service of the employee concerned. In the years 2021 - 2022, liability under posthumous benefits was recognised only in FBSerwis SA and its subsidiary companies, because in other Budimex Group companies employees were covered by life insurance policy.

Movements in the balance of posthumous benefits are presented in the table below:

	2022	2021
Present value of liability at the beginning of the period	**309**	**283**
Interest expense	9	1
Current service costs	58	44
Past service costs	(301)	-
Benefits paid out	-	(25)
Actuarial (gains)/losses, of which:	3	6
- ex-post adjustments to actuarial assumptions	*(28)*	*(30)*
- change in demographic assumptions	*33*	*34*
- change in financial assumptions	*(2)*	*2*
Present value of liability at the end of the period	**78**	**309**

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

Costs of posthumous benefits charged to the profit and loss account are presented in the table below:

	2022	2021
Current service costs	58	44
Past service costs	(301)	-
Interest expense	9	1
Costs recognised in the profit and loss account (note 32)	**(234)**	**45**
of which, employee allowances recognised in the profit and loss account under the following items:		
- cost of finished goods, goods for resale and raw materials sold	*(1 123)*	*-*
- administrative expenses	*889*	*45*
Actuarial (gains)/ losses	3	6
(Gains)/ costs recognised in other comprehensive income	**3**	**6**

Sensitivity analysis

Significant actuarial assumptions applied to calculate liability from retirement benefits and similar obligations cover discount rate, expected salary increase and staff turnover.

Analysis of sensitivity to fluctuations in interest rates

An increase in the assumed discount rate by 1 percentage point would result in a decrease in liability from retirement benefits and similar obligations by PLN 921 thousand, while a decrease in the assumed discount rate by 1 percentage point would bring about an increase in said liability by PLN 1 076 thousand.

Analysis of sensitivity to fluctuations in salary growth rates

An increase in the assumed salary growth rate by 1 percentage point would result in an increase in liability from retirement benefits and similar obligations by PLN 1 191 thousand, while a decrease in the assumed remuneration growth rate by 1 percentage point would bring about a decrease in liability from retirement benefits and similar obligations by PLN 1 035 thousand.

Analysis of sensitivity to staff turnover

An increase in the assumed staff turnover by 1 percentage point would result in a decrease in liability from retirement benefits and similar obligations by PLN 402 thousand, while a decrease in the assumed staff turnover by 1 percentage point would bring about an increase in said liability by PLN 440 thousand.

The above sensitivity analysis may not be representative for the effective movements in liability from retirement benefits and similar obligations. Changes in individual assumptions are unlikely to occur in isolation from others, as some assumptions may be correlated.

The methods and assumptions underlying sensitivity analysis did not change materially compared to the prior year.

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

26. Provisions for liabilities and other charges

	Litigation	Penalties and other sanctions	Warranty repairs	Recultiva-tion	Other	Total
Balance as at 1 January 2021	**33 129**	**125 770**	**591 478**	**47 200**	**22 932**	**820 509**
Creation of additional provisions	1 073	137 588[1]	141 931	4 579	47 371[2]	332 542
Reversal of unused provisions	(1 085)	(85 155)[3]	(72 162)	(1 859)	(2 796)[4]	(163 057)
Provisions utilisation	-	(992)	(26 199)	-	(359)	(27 550)
Change in Group composition	(1 640)	(1 281)	(17 439)	-	(23 112)	(43 472)
Balance as at 31 December 2021	**31 477**	**175 930**	**617 609**	**49 920**	**44 036**	**918 972**
Balance as at 1 January 2022	**31 477**	**175 930**	**617 609**	**49 920**	**44 036**	**918 972**
Creation of additional provisions	9 434	26 424[5]	89 848	6 590	10 003[6]	142 299
Reversal of unused provisions	(122)	(19 086)[7]	(25 528)	(1 558)	(2 081)[8]	(48 375)
Provisions utilisation	(663)	(2 143)	(45 965)	-	-	(48 771)
Other changes	2	-	6	-	(1)	7
Balance as at 31 December 2022	**40 128**	**181 125**	**635 970**	**54 952**	**51 957**	**964 132**

1) of which PLN 128 370 thousand was recognized as a decrease in net revenue from the sale of products and services and from goods and materials;
2) of which PLN 101 thousand was recognized in finance costs, PLN 27 753 thousand in the cost of products and services and goods and materials sold, PLN 7 thousand in administrative expenses and PLN 19 510 thousand in profit from discontinued operations;
3) of which PLN 84 817 thousand was recognized as an increase in net revenue from the sale of products and services and goods and materials;
4) of which PLN 922 thousand was recognized in profit from discontinued operations and PLN 5 thousand as a reduction in the costs of products and services and goods and materials sold;
5) of which PLN 25 143 thousand was recognized as a decrease in net revenue from the sale of products and services and goods and materials;
6) of which PLN 98 thousand was recognized in finance costs, PLN 5 842 thousand in the cost of products and services and goods and materials sold, PLN 577 thousand in administrative expenses;
7) of which PLN 19 010 thousand was recognized as an increase in net revenue from the sale of products and services and goods and materials;
8) including PLN 2 081 thousand as a reduction in the costs of products and services and goods and materials sold

The creation/(reversal) of provisions for litigation (court cases), penalties and sanctions, and other provisions was recognised under other operating expenses (note 33), while creation/ (reversal) of provision for warranty repairs and provision for land rehabilitation – under operating expenses, except for the transactions described in the footnotes to the above table.

The most significant court cases, to which the Group companies are parties, were described in point 5.6 of the Director's Report on activities for 2022.

The structure of total provisions is as follows:

	31 December 2022	31 December 2021
Non-current	626 314	616 498
Current	337 818	302 474
	964 132	**918 972**

27. Construction contracts

The tables below present data relating to construction contracts which are valued by Group companies in accordance with the stage of completion method (expenditure- or result-based method):

Selected consolidated data – statement of financial position

	31 December 2022	31 December 2021
Assets		
Valuation of construction contracts	532 484	729 415
Liabilities		
Valuation of construction contracts	1 493 517	1 588 487
Provision for losses on construction contracts	803 263	514 787
Advance payments for construction contracts in progress (note 28)	573 786	286 797

The fair value of valuation of construction contracts approximates contracts carrying amount.

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

28. Deferred income

Deferred income comprises:

	31 December 2022	31 December 2021
Advance payments for construction contracts in progress (note 27)	573 786	286 797
Other	4 872	5 063
Total	**578 658**	**291 860**

All advance payments received and other deferred income as at 31 December 2022 and 31 December 2021 were recognised under current liabilities as they will be settled in the Group's normal operating cycle.

29. Retentions for construction contracts

	31 December 2022	31 December 2021
Retained by customers – to be returned after 12 months	83 393	87 264
Retained by customers – to be returned within 12 months	83 120	97 263
Total retentions for construction contracts retained by customers	**166 513**	**184 527**
Received from suppliers – to be returned after 12 months	229 963	236 588
Received from suppliers – to be returned within 12 months	218 039	209 962
Total retentions for construction contracts received from suppliers	**448 002**	**446 550**

Retentions for construction contracts with a payment date of more than one year are discounted and are recognised in the statement of financial position at present value. The table below shows the results of discounting recognised in the statement of financial position and profit and loss account of the Group in individual periods. The amounts of discount reduce the nominal value of receivables and liabilities from retentions for construction contracts accordingly. In addition, a deferred tax asset is recognised in the statement of financial position on the amounts stated calculated using the tax rate prevailing in Poland, i.e. 19%, and on the effect of change in the value of discount in the profit and loss account.

	31 December 2022	31 December 2021
Discount of long-term retentions for construction contracts retained by customers	6 130	5 380
Discount of long-term retentions for construction contracts received from suppliers	36 489	24 737

Amount of discount recognised in the profit and loss account:

	2022	2021
Decrease in sales revenue	(2 953)	(1 809)
Reduction in the cost of services sold	21 746	8 753
Total adjustment to gross margin	**18 793**	**6 944**
Adjustment to finance income / (finance costs) (note 34)	(7 791)	(7 066)
Deferred tax on the above adjustments	(2 090)	23
Net effect on the profit and loss account	**8 912**	**(99)**

The fair value of the amounts retained by customers and of the amounts received from suppliers approximates their respective carrying amounts.

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

30. Revenue from contracts with customers

30.1 Revenue from sale of goods and services, and goods for resale and raw materials, by category

30.1.1 Sales revenue, by type of good or service

In 2022, net sales of finished goods and services, and goods for resale and raw materials, by type of good or service, were as follows:

Segment	Construction business	Service activities	Exclusions	Consolidated financial data
Sales of construction-assembly work	7 694 203	-	(11 003)	**7 683 200**
Sales of other services	28 794	821 397	(12 105)	**838 086**
Sales of finished goods	85 454	-	-	**85 454**
Sales of goods for resale and raw materials	12 383	-	(69)	**12 314**
Total sales of finished goods, goods for resale and raw materials	**7 820 834**	**821 397**	**(23 177)**	**8 619 054**

In 2021, net sales of finished goods and services, and goods for resale and raw materials, by type of good or service, were as follows:

Segment	Construction business	Service activities	Exclusions	Consolidated financial data
Sales of construction-assembly work	7 191 297	-	(139 541)	**7 051 756**
Sales of other services	15 746	783 174	(14 865)	**784 055**
Sales of finished goods	64 476	-	-	**64 476**
Sales of goods for resale and raw materials	10 905	-	-	**10 905**
Total sales of finished goods, goods for resale and raw materials	**7 282 424**	**783 174**	**(154 406)**	**7 911 192**

30.1.2 Sales revenue, by geographical area

In 2022, net sales of finished goods and services, and goods for resale and raw materials, by geographical area, were as follows:

Segment	Construction business	Service activities	Exclusions	Consolidated financial data
Poland	7 493 059	820 219	(23 177)	**8 290 101**
Germany	244 729	1 085	-	**245 814**
Other EU countries	83 046	93	-	**83 139**
Total sales of finished goods, goods for resale and raw materials	**7 820 834**	**821 397**	**(23 177)**	**8 619 054**

In 2021, net sales of finished goods and services, and goods for resale and raw materials, by geographical area, were as follows:

Segment	Construction business	Service activities	Exclusions	Consolidated financial data
Poland	6 939 086	782 702	(154 406)	**7 567 382**
Germany	218 315	277	-	**218 592**
Other EU countries	125 023	195	-	**125 218**
Total sales of finished goods, goods for resale and raw materials	**7 282 424**	**783 174**	**(154 406)**	**7 911 192**

The geographical breakdown of sales revenue corresponds to customer location and is in line with the Group's internal organizational structure.

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

30.1.3 Sales of the Construction business segment, by type of construction works

Net sales of finished goods and services, and goods for resale and raw materials of the "Construction business" as the most significant Budimex Group operating segment were additionally analysed by type of construction works/ constructed objects. Data for the years 2022 and 2021 are as follows:

Type of construction works	Sales revenue for the 12-month period ended:	
	31 December 2022	31 December 2021
Land-engineering facilities	3 034 865	2 674 679
Railway	1 888 901	1 979 588
Cubic objects (building structures), of which:	2 897 068	2 628 157
- non-housing	*2 668 247*	*2 133 527*
- housing	*228 821*	*494 630*
Sales of finished goods, goods for resale and raw materials – Construction business segment	**7 820 834**	**7 282 424**

30.2 Assets and liabilities arising from contracts with customers

Deadline to satisfy contract performance obligations vs applied payment deadlines

Construction contracts are settled with investors in the following manner:

- During contract performance – partially, as the work progresses, most often on a monthly basis, based on settlement documents confirming completion of certain types of work and satisfaction of other contract performance obligations (interim certificate of payment, interim technical acceptance (OT) protocols, progress billings), and
- After contract work completion – based on final documents (final technical acceptance (OT) protocol, final invoice), confirming completion of contract work and complete satisfaction of performance obligations necessary for final contract settlement.

Deadlines for the payment for construction works performed by Group companies are usually set at 30 days, with the proviso that for certain construction contracts Group companies obtain financing prior to the commencement of contract work in the form of advance payments which are successively settled under progress billings and under final invoice.

Revenue from waste management contracts is recognized at the end of the settlement period, based on a monthly weight report of admission to the municipal waste treatment installation, or based on a waste transfer card.

During 2022 and 2021, no revenues from contracts with customers occurred that would have been recognised in a given financial year, and for which performance obligations were satisfied in the previous reporting period.

In 2022 and 2021, no revenue adjustments were recognised that would affect customer contract assets or liabilities following a change in the method of measurement of contract liability (contract progress) or contract change.

	31 Dec 2021	Change in contracts valuation	Revenue recognised in 2022 and included in contract liabilities balance as at 31 Dec 2021	Change of the period, in which right to contract consideration becomes unconditional	Other	31 Dec 2022
Receivables from service concession arrangements	46 638	-	-	-	(127)	46 511
Valuation of construction contracts	729 415	532 484	-	(729 415)	-	532 484
Assets from contracts with customers	**776 053**	**532 484**	**-**	**(729 415)**	**(127)**	**578 995**
Valuation of construction contracts	1 588 487	385 320	(480 290)	-	-	1 493 517
Liabilities from contracts with customers	**1 588 487**	**385 320**	**(480 290)**	**-**	**-**	**1 493 517**

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

	31 Dec 2020	Change in contracts valuation	Revenue recognised in 2021 and included in contract liabilities balance as at 31 Dec 2020	Change of the period, in which right to contract consideration becomes unconditional	Received advance payments for premises	Other	Change in Group composition	31 Dec 2021
Receivables from service concession arrangements	46 769	-	-	-	-	(131)	-	46 638
Valuation of construction contracts	594 315	729 415	-	(594 315)	-	-	-	729 415
Assets from contracts with customers	**641 084**	**729 415**	**-**	**(594 315)**	**-**	**(131)**	**-**	**776 053**
Deferred income – advance payments for flats at development companies	1 064 864	-	(246 316)	-	319 219	-	(1 137 767)	-
Valuation of construction contracts	1 302 164	742 174	(455 851)	-	-	-	-	1 588 487
Liabilities from contracts with customers	**2 367 028**	**742 174**	**(702 167)**	**-**	**319 219**	**-**	**(1 137 767)**	**1 588 487**

30.3 Outstanding performance obligations under contracts with customers

	31 December 2022	31 December 2021
Total transaction price allocated to construction contract performance obligation (to deliver goods or services) outstanding at year-end, to be realized in:		
- less than 1 year	*8 236 959*	*8 333 197*
- over 1 year	*6 885 623*	*6 128 705*
Total	**15 122 582**	**14 461 902**

31. Costs by type

	2022	2021
Depreciation/ amortization of which:	152 387	146 023
– property, plant and equipment (note 10)	*132 817*	*127 305*
– intangible assets (note 12)	*19 570*	*18 718*
Employee benefits (note 32)	1 405 396	1 235 434
Materials and energy	1 965 305	1 640 941
External services	4 094 153	3 590 037
Taxes and charges	47 739	59 630
Advertising and representation	7 309	5 642
Non-life (property) and life insurance	26 332	24 099
Change in the balance of provision for losses on construction contracts (note 27)	288 476	204 346
Other costs by type	88 820	450 481
Selling expenses (negative value)	(13 530)	(11 733)
Administrative expenses (negative value)	(317 153)	(269 011)
Change in the balance of finished goods and work in progress	-	-
Cost of goods produced for the entity's own needs (negative value)	-	-
Cost of development finished goods and services sold	**7 745 234**	**7 075 889**
Cost of goods for resale and raw materials sold	1 377	1 506
Cost of finished goods, services, goods for resale and raw materials sold	**7 746 611**	**7 077 395**

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

32. Cost of employee benefits

	2022	2021
Cost of salaries and wages, of which:	**1 177 781**	**1 032 832**
– retirement and pension benefits (note 25)	*1 615*	*2 479*
– share-based payments (note 36)	*1 212*	*1 193*
– termination benefits	*4 705*	*5 381*
Cost of social security surcharges and other allowances, of which:	**227 615**	**202 602**
– social security	*164 009*	*158 817*
– cost of Employee Capital Plans (PPK)	*9 404*	*8 444*
Total cost of employee benefits recognised in the costs by type (note 31)	**1 405 396**	**1 235 434**

33. Other operating income and other operating expenses

Other operating income

	2022	2021
Gains on the sale of non-financial long-term assets	6 272	10 041
Reversal of impairment write-downs, of which against:	7 727	18 086
– receivables (note 17)	*5 522*	*17 839*
– inventories (note 18)	-	*247*
– property, plant and equipment (note 10)	*2 205*	-
Reversal of provisions, of which for:	198	3 292
– litigation and compensations (note 26)	*122*	*1 085*
– penalties and sanctions (note 26)	*76*	*338*
– other (note 26)	-	*1 869*
Compensations awarded	37 964	43 492
Subsidies	255	1 262
Statute-barred liabilities written-off	6 138	5 517
Gains on derivative financial instruments (note 15.2)	5 223	-
Other	1 458	3 353
Total	**65 235**	**85 043**

Other operating expenses

	2022	2021
Recognition of impairment write-downs, of which against:	22 240	21 679
– receivables (note 17)	*22 240*	*8 939*
– inventories (note 18)	-	*860*
– property, plant and equipment (note 10)	-	*11 880*
Creation of provisions, of which for:	14 201	10 291
– litigation (note 26)	*9 434*	*1 073*
– penalties and sanctions (note 26)	*1 281*	*9 218*
– other (note 26)	*3 486*	-
Compensations and liquidated damages paid	84	7 732
Court charges and enforcement fees, costs of legal proceedings	3 105	3 278
Loss on derivative financial instruments (note 15.2)	1 350	4 815
Donations given	2 200	1 889
Other	1 388	1 327
Total	**44 568**	**51 011**

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

34. Finance income and finance costs

Finance income

	2022	2021
Interest earned on financial instruments, of which:	112 848	2 217
– on bank deposits and cash at bank	*112 771*	*2 217*
– on loans granted (note 15.1)	*77*	*-*
Other interest income, of which:	8 853	3 404
– interest on discount received and penalty interest	*8 473*	*3 307*
– other	*380*	*97*
Receivables from service concession arrangements (note 16)	2 875	2 885
Profit on derivative financial instruments (note 15.2)	2 442	4 148
Foreign exchange gains	2 581	-
Other	2 362	929
Total	**131 961**	**13 583**

Finance costs

	2022	2021
Interest expense in respect of financial instruments, of which:	9 803	6 312
– interest on borrowings and loans taken out and on other external sources of finance	*2 351*	*1 109*
– interest on lease contracts	*7 452*	*5 203*
Other interest expense, of which:	1 173	1 792
– penalty interest paid to suppliers and interest on discounts	*552*	*1 440*
– other interest	*621*	*352*
Impairment of shares in non-consolidated entities (note 15.3)	129	2 141
Discount on retentions for construction contracts (note 29)	7 791	7 066
Cost of bank commissions and guarantees	26 055	27 810
Loss on derivative financial instruments (note 15.2)	-	837
Foreign exchange losses	-	152
Other	638	129
Total	**45 589**	**46 239**

35. Earnings/ (loss) per share

Basic earnings/ (loss) per share

Basic earnings (loss) per share are calculated as the quotient of profit/ (loss) attributable to the shareholders of the Parent Company and the weighted average number of ordinary shares outstanding during the year (note 20).

	2022	2021
Earnings / (loss) attributable to the shareholders of the Parent Company	534 443	971 603
Weighted average number of ordinary shares	25 530 098	25 530 098
Basic earnings / (loss) per share (in PLN per share)	**20.93**	**38.06**

Diluted earnings/ (loss) per share

Diluted earnings / (loss) per share were equal to the basic earnings per share for both periods because there were no dilutive instruments.

36. Dividend per share

The Supervisory Board of Budimex SA, having read the separate financial statements of Budimex SA for the first half of 2021, approved the payment of an interim dividend. On 18 October 2021, the 2021 interim dividend was paid in the amount of PLN 380 398 thousand, i.e. PLN 14.90 gross per share. On 14 June 2022, Budimex SA paid the remaining part of the dividend in the amount of PLN 599 191 thousand, i.e. PLN 23.47 gross per share, to which part of the standalone net profit for the period from 1 January 2021 to 31 December 2021 was allocated. In total, PLN 979 589 thousand from the net profit of Budimex SA was allocated for dividend payment, i.e. PLN 38.37 per share. The remaining part of the net profit for the period from 1 January 2021 to 31 December 2021 in the amount of PLN 44 thousand was appropriated to reserve capital.

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

Until the date of the preparation of these consolidated financial statements for the financial year ended 31 December 2022, the Management Board of Budimex SA has not adopted a resolution on the recommendation concerning distribution of profit for 2022.

37. Statement of Cash Flows

Reconciliation of changes in balances in the consolidated statement of financial position with changes in the consolidated statement of cash flows:

	2022	2021
Change in provisions and liabilities arising from retirement benefits and similar obligations presented in the consolidated statement of financial statement	**42 382**	**92 761**
Actuarial gains and losses (note 25)	3 813	6 445
Provisions included in the discontinued operations	-	(13 883)
Sale of a subsidiary	-	44 369
Exchange differences	-	(7)
Change in provisions and liabilities arising from retirement benefits and similar obligations presented in the consolidated cash flow statement	**46 195**	**129 685**
Change in receivables and retentions for construction contracts presented in the consolidated statement of financial statement	**286 522**	**(413 646)**
Change in investing receivables	(875)	3 715
Sale of a subsidiary	-	(11 560)
Acquisition of subsidiaries/ subsidiaries included in the consolidation scope	4 547	-
Change in receivables and retentions for construction contracts presented in the consolidated cash flow statement	**290 194**	**(421 491)**
Change in inventories presented in the consolidated statement of financial statement	**(314 818)**	**1 569 295**
Sale of a subsidiary	-	(1 734 911)
Change in leased inventory	-	51 583
Change in inventories presented in the consolidated cash flow statement	**(314 818)**	**(114 033)**
Change in retentions for construction contracts and in liabilities presented in the consolidated statement of financial statement	**122 108**	**14 279**
Change in investing liabilities	11 266	(31 100)
Sale of a subsidiary	-	158 556
Acquisition of subsidiaries/ subsidiaries included in the consolidation scope	(5 536)	-
Change in retentions for construction contracts and in liabilities presented in the consolidated cash flow statement	**127 838**	**141 735**
Change in deferred income presented in the consolidated statement of financial statement	**286 798**	**(1 177 766)**
Sale of a subsidiary	-	1 137 767
Change in deferred income presented in the consolidated cash flow statement	**286 798**	**(39 999)**
Income tax resulting from the consolidated statement of financial statement	**(82 600)**	**(101 267)**
Income tax in the profit and loss account – continuing operations	(100 805)	(88 550)
Income tax in the profit and loss account – discontinued operations	-	(115 793)
Deferred tax on actuarial gains and losses (note 24)	(724)	(1 225)
Sale of a subsidiary	-	(1 778)
Acquisition of subsidiaries	(1 692)	-
Other	-	(281)
Income tax paid presented in the consolidated cash flow statement	**(185 821)**	**(308 894)**

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

Other adjustments to the operating activities section of the consolidated statement of cash flows cover the following items:

	2022	2021
Cumulative translation differences	803	(184)
Forgiven (written-off) loans and borrowings	-	(1 000)
Other	(448)	(29)
Total	**355**	**(1 213)**

Non-monetary transactions

In 2022, non-monetary transactions concerning all types of activities (operating, investing and financing activities) that were *not* presented in the statement of cash flows related to increases in non-current assets due to acceptance into lease of property, plant and equipment with a value of PLN 92 473 thousand.

In 2021, non-monetary transactions concerning all types of activities (operating, investing and financing activities) that were *not* presented in the statement of cash flows related to increases in non-current assets due to acceptance into lease of property, plant and equipment with a value of PLN 53 849 thousand.

38. Liabilities secured on the Group's assets

The following assets were pledged as collaterals/ securities for bank loans and guarantees:

	31 December 2022		31 December 2021	
	Assets pledged as security/ collateral	Security/ collateral contractual value	Assets pledged as security/ collateral	Security/ collateral contractual value
Property, plant and equipment	10 115	35 413	11 556	65 413
Shares in subsidiary companies*	-	-	25 726	50 000
Cash and cash equivalents (note 19)	1 537**	1 537**	1 748**	1 748**
Total	**11 652**	**36 950**	**39 030**	**117 161**

**pledge on the shares in one of the subsidiary companies, which are subject to consolidation exclusions*
***as at 31 December 2022 and 31 December 2021, the collaterals established on cash and cash equivalents equate the amount of 2 nearest principal-interest instalments of the investment loan being repaid by Budimex Parking Wrocław Sp. z o.o.*

39. Share-based payments

Ferrovial SA, the ultimate parent company, operates an incentive scheme of treasury share award, which is classified as a share-based payment transaction settled in equity.

According to this scheme, each year Management Board members and senior management of Budimex SA are granted shares in Ferrovial SA. Final settlement of such shares takes place three years after the grant date, subject to the following conditions:

- beneficiaries must be in employment at the company for the 3-year period after program institution date, except for certain unusual situations,
- achievement in said period of certain set covenants as regards cash-flow and relation between gross operating profit and net production assets,
- the required level of covenants to become eligible for the total or proportionate number of shares is set annually.

As at 31 December 2022 and as at 31 December 2021, the total fair value of services recorded under other reserves was PLN 7 171 thousand. As at 31 December 2022, the total fair value of services recorded under liabilities amounted to PLN 19 157 thousand, while as at 31 December 2021 – PLN 17 945 thousand.

Pursuant to an agreement concluded with the Ferrovial Group in 2014, Budimex SA undertook to cover scheme costs with respect to the tranche of the instruments granted in 2014 and in the subsequent years. Therefore, the fair value of employee services related to the instruments granted in the years 2014-2022 was classified as liabilities (with a corresponding expense item).

Detailed information on plan's vested shares is presented in the table below:

Year	Number of initially granted shares	Grant date	Fair value of 1 share at grant date	Financial covenants realization	Cost of shares granted
2022	23 350	15-02-2022	111.06	100%	1 212
2021	23 550	15-02-2021	92.27	100%	1 193

The cost of the shares awarded in 2022 was calculated as 2/36th of the cost of shares awarded in 2019, 12/36th of the cost of shares awarded in 2020, 12/36th of the cost of shares awarded in 2021 and 10/36th of the cost of shares awarded in 2022.

The cost of the shares awarded in 2021 was calculated as 2/36th of the cost of shares awarded in 2018, 12/36th of the cost of shares awarded in 2019, 12/36th of the cost of shares awarded in 2020 and 10/36th of the cost of shares awarded in 2021.

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

The three-year vesting period for the shares granted in 2019 ended in March 2022. As the conditions of the incentive program were satisfied, 16 925 shares in Ferrovial SA were formally transferred to the employees eligible to obtain shares from this tranche. The number of the actually transferred shares differs from the originally allocated amount due to subsequent employee-rotation related adjustments and a lower than assumed ratio of achieving specific financial results (covenants) by Ferrovial SA.

40. Related party transactions

Transactions with related parties made in 2022 and 2021 and the resultant unsettled balances of receivables and liabilities as at 31 December 2022 and 31 December 2021 are presented below.

	Receivables		Liabilities	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Parent and its related parties (the Ferrovial Group)	-	-	25 450	23 687
Jointly controlled entities	14 994	21 312	736	1 318
Associates	2	93	7	25
Other related entities – non-consolidated subsidiaries**	-	-	98	-
Other related entities – other**	-	7	-	-
Other related entities – through key personnel**	-	-	-	-
Total settlements with related parties	**14 996**	**21 412**	**26 291**	**25 030**

	Revenue from sale of finished goods and services and other operating income		Purchase of finished goods and services and other operating expenses	
	2022	2021*	2022	2021*
Parent and its related parties (the Ferrovial Group)	-	15	30 278	30 951
Jointly controlled entities	420	19 216	3	(32)
Associates	35	23	453	1 275
Other related entities – non-consolidated subsidiaries**	146	180	98	-
Other related entities – other**	1	1	-	44
Other related entities – through key personnel**	-	262	-	-
Total settlements with related parties	**602**	**19 697**	**30 832**	**32 238**

	Loans granted / (taken out); debt securities acquired/ (issued)		Finance income / (costs)	
	31 December 2022	31 December 2021	2022	2021*
Parent and its related parties (the Ferrovial Group)	-	-	-	-
Other related entities – non-consolidated subsidiaries**	1 987	-	77	-
Total settlements with related parties	**1 987**	**-**	**77**	**-**

**) The amounts reported in the note also include data recognized in discontinued operations.*
***) Other related entities represent controlled non-consolidated entities, jointly controlled entities or entities on which the key management person of the Parent Company or of the subsidiary of the Budimex Group or his close relative exercises significant influence, or has a significant number of votes at the shareholders' meeting of this company.*

Transactions with related parties are made on the arm's length basis.

Included in the above table under "Parent and its related parties (the Ferrovial Group)" are the numerical data relating to transactions with the Ferrovial Group companies: Ferrovial Construcción SA and Ferrovial SA.

Operating expenses relate mainly to the purchase of services under the contracts described below:

In 2010, Budimex SA signed two agreements with Ferrovial Agroman SA (*currently* Ferrovial Construcción SA) under which Ferrovial renders to Budimex SA services relating to IT maintenance and development, and staff secondment. In connection with execution of these agreements, costs incurred by Budimex SA in 2022 were PLN 7 648 thousand and PLN 585 thousand, respectively, while in 2021 – PLN 6 985 thousand and PLN 486 thousand, respectively.

On 24 September 2019, Budimex SA concluded with Ferrovial Agroman SA a new license agreement with effect from 1 January 2018. Under this new agreement, Ferrovial Agroman SA granted to Budimex a license for industrial intangible assets that support the main business of Budimex SA in the area of all construction works and infrastructure management. In 2022, in connection with the execution of these agreements Budimex SA incurred costs of PLN 25 746 thousand, while in 2021 - PLN 23 242 thousand.

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

40.1 Emoluments of key members of management

Management Board

The total value of remuneration, bonuses and awards for the members of the Management Board of Budimex SA in 2022 amounted to PLN 12 360 thousand (of which, PLN 5 014 thousand represented performance bonus for completed tasks), of which PLN 10 636 thousand was recognised as costs of Budimex SA. The remaining balance was recognised as costs of the subsidiary companies.

The total value of remuneration, bonuses and awards for the members of the Management Board of Budimex SA in 2021 amounted to PLN 17 745 thousand (of which, PLN 10 595 thousand represented performance bonus for completed tasks), of which PLN 16 836 thousand was recognised as costs of Budimex SA. The remaining balance was recognised as costs of the subsidiaries and the Ferrovial Group.

In addition, during the 12-month period ended 31 December 2022, the estimated costs of share-based payments in connection with Ferrovial SA's incentive programs related to the Company's Management Board amounted to PLN 969 thousand, of which PLN 791 thousand was charged to Budimex SA, and the difference was covered by the subsidiary companies. In 2021, the costs of share-based payments amounted to PLN 1 097 thousand, of which PLN 1 055 thousand was charged to Budimex SA, and the difference was covered by the subsidiary companies.

Remuneration for 2022

Company's Management Board	Remuneration charged to Budimex SA	Performance bonus	Non-competition clause	Share-based payments under the Ferrovial SA's incentive schemes	Total
Artur Popko	1 507	2 319	-	417	**4 243**
Marcin Węgłowski	974	533	-	187	**1 694**
Jacek Daniewski	1 126	519	-	187	**1 832**
Artur Pielech	965	759	-	178	**1 902**
former Board Members:					
Dariusz Blocher	-	352	1 169	-	**1 521**
Cezary Mączka	1 315*	532	290	-	**2 137**
TOTAL	**5 887**	**5 014**	**1 459**	**969**	**13 329**

**severance costs in 2022*

The cost of share-based payments comprises: 2/36th of the cost of shares awarded in 2019, 12/36th of the cost of shares awarded in 2020, 12/36th of the cost of shares awarded in 2021 and 10/36th of the cost of shares awarded in 2022.

The three-year vesting period for the shares granted in 2019 ended in March 2022. As the conditions of the incentive program were satisfied, the shares in Ferrovial SA have been formally transferred. The number of shares actually transferred to the members of the Management Board of Budimex SA was as follows:

Artur Popko	1 775 shares
Marcin Węgłowski	1 000 shares
Jacek Daniewski	1 000 shares
Artur Pielech	975 shares

The market value of one share of Ferrovial SA at the actual transfer date was PLN 118.44.

Proxies

The total value of remuneration paid to proxies of Budimex SA in 2022 was PLN 1 827 thousand, while in 2021 - PLN 1 277 thousand.

Individual remuneration of proxies in 2022 was as follows:

Piotr Świecki PLN 1 827 thousand.

Additionally, apart from the amounts presented above, in the 12-month period ended 31 December 2022, the estimated cost of share-based payment under Ferrovial SA's incentive programs allocated to the Company's proxy, Piotr Świecki, amounted to PLN 140 thousand.

Due to satisfying the incentive program conditions after the expiry of the three-year vesting period for the shares granted in 2019, Ferrovial SA formally transferred 725 shares to the proxy of Budimex SA, Piotr Świecki. The market value of one share of Ferrovial SA at the actual transfer date was PLN 118.44.

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

Supervisory Board

The total value of remuneration paid in 2022 to the members of Supervisory Board of Budimex SA amounted to PLN 2 089 thousand (PLN 1 853 thousand in 2021). In 2022, remuneration of members of the Supervisory Board of Budimex SA was as follows:

Marek Michałowski	PLN 303 thousand	
Dariusz Blocher	PLN 220 thousand	
Igor Chalupec	PLN 206 thousand	
Danuta Dąbrowska	PLN 237 thousand	
Janusz Dedo	PLN 218 thousand	
Ignacio Aitor Garcia Bilbao	PLN 206 thousand	
Jose Carlos Garrido Lestache Rodriguez	PLN 70 thousand	(until 19 May 2022)
Juan Ignacio Gastón Najarro	PLN 174 thousand	
Artur Kucharski	PLN 174 thousand	
Mario Manuel Menendez Montoya	PLN 108 thousand	(from 19 May 2022)
Mario Mostoles Nieto	PLN 173 thousand	(until 8 December 2022)

40.2 Advance payments, loans and borrowings, guarantees and sureties and other agreements with Members of the Management or Supervisory Boards

As at 31 December 2022 and 31 December 2021, members of the Management or Supervisory Boards of the Company, their spouses, close relatives, in-laws to the second degree, adopted persons and adoptive parents, and other persons who are related to them in person did not have any outstanding loans or borrowings or guarantees issued by Budimex SA or its subsidiaries, jointly controlled entities or associates.

As at 31 December 2022 and 31 December 2021, members of the Management or Supervisory Boards of the subsidiary companies of the Group did not have any outstanding loans or borrowings or guarantees issued by those companies and were not parties to any agreements obligating them to provide services to Group companies.

41. Leases

a) The characteristics of lease contracts concluded by Group companies was described in note 22.

b) The cost of depreciation of right-of-use assets was disclosed in note 10 (right of use assets under property, plant and equipment).

c) The cost of lease-related interest was disclosed in note 34.

d) The cost of short-term leases recognized in accordance with IFRS 16.6 amounted in 2022 to PLN 304 554 thousand (in 2021 to PLN 219 005 thousand).

e) The cost related to the lease of low-value assets recognized in accordance with IFRS 16.6 amounted in 2022 to PLN 64 522 thousand (in 2021 to PLN 53 578 thousand).

f) The Group did not earn any revenues from the sub-lease of right-of-use assets.

g) The total cash outflow in connection with lease in 2022 amounted to PLN 466 402 thousand (including: PLN 89 874 thousand – principal part of instalments; PLN 7 452 thousand – interest portion of instalments; PLN 369 076 thousand – payments from short-term leases and low-value assets included in cash flows from operating activities). The corresponding amounts in 2021 amounted to: PLN 430 761 thousand (of which: PLN 152 975 thousand – principal part of instalments; PLN 5 203 thousand – interest portion of instalments; PLN 272 583 thousand – payments for short-term leases and low-value assets recognized in cash flows from operating activities).

h) The Group companies did not make any sale and leaseback transaction in 2022.

i) The carrying amount of right-of-use assets as at 31 December 2022 analysed by class of the underlying assets and increases in the right-of-use assets was disclosed in note 10.

j) The portfolio of short-term leases to which the Group is obligated as at 31 December 2022 does not differ materially from the portfolio of short-term leases, to which the cost of short-term leases referred to in point d) relates. However, the Group estimates that the amount of future payments to which it is obliged under short-term leases recognised in accordance with IFRS 16.6 may differ from that for 2022 due to the specific nature of realized contracts and the availability of own assets necessary to perform them.

k) Lease instalments paid by the Group are partially calculated based on variable interest rate (WIBOR/ EURIBOR, as appropriate). The analysis of sensitivity to interest rate fluctuations was disclosed in note 4.

l) According to the Group's estimates, it is not exposed to future cash outflows that would not be included in valuation of lease liabilities.

42. Capital expenditure incurred and planned

Capital expenditure for non-financial long-term assets, including fixed assets accepted for use under lease contracts, incurred in 2022 amounted to PLN 221 987 thousand. In 2021, capital expenditure for non-financial long-term assets amounted to PLN 158 305 thousand.

In 2023, the Group expects to make investment purchases for non-financial long-term assets in the amount of approximately PLN 150 000 thousand, including environmental protection expenditures in the amount of approximately PLN 13 000 thousand.

In 2022, the Group companies incurred investment expenditure on environmental protection in the amount of PLN 2 058 thousand. The incurred expenditure mainly concerned the installation of photovoltaic panels for own needs.

43. (Off-balance sheet) investment expenditure

As at 31 December 2022, the Group's committed investment expenditure amounted to PLN 7 443 thousand, of which PLN 4 303 thousand related to the purchase of means of transport, plant and machinery, while PLN 3 140 thousand related to the conversion and extension of an office and social building.

As at 31 December 2021, committed investment expenditure of the Group amounted to PLN 2 863 thousand and related to the purchase of plant and machinery.

44. Events after the reporting date

At the beginning of February 2023, the website of the National Prosecutor's Office published information about the arrests made and the investigation into the case concerning the participation of detained persons in an organized criminal group, money laundering, giving and accepting financial benefits while referring to influence in a local government institution and issuing and using fictitious VAT invoices.

Media information also shows that so far a total of 13 people have been detained as part of the ongoing proceedings, including two employees of FBSerwis SA: the President of the Management Board of FBSerwis SA and at the same time a member of the Management Board of Budimex SA and the Vice-President of the Management Board of FBSerwis SA.

According to the media, the proceedings concern irregularities in tenders organized by the Municipal Cleaning Company (*MPO*) in Warsaw in the field of waste disposal. The investigation findings show that that under the allegation regarding giving and accepting financial benefits, the total amount of the financial benefits provided amounted to approximately PLN 5 million.

The employees of FBSerwis SA were subjected to a preventive measure in the form of temporary arrest for periods of 2 and 3 months, as a consequence, the Supervisory Board of FBSerwis SA decided to suspend the President of the Management Board of FBSerwis SA for a period of 2 months and the Vice-President of the Management Board of FBSerwis SA for a period of 3 months. The same decision was made by the Supervisory Board of Budimex SA in relation to the President of the Management Board of FBSerwis SA as a member of the Management Board of Budimex SA (he was suspended until 7 April 2023).

According to a preliminary analysis of the risk of the impact of the proceedings on the Budimex Group, the fact of conducting prosecutorial proceedings against natural persons does not mean, in the current legal state, direct legal consequences for companies under the Act on the Liability of Collective Entities, in particular Budimex SA, which is not active in the field of waste management, to which the proceedings are related. The condition for the hypothetical liability of companies under this Act is a final judgment concerning a collective entity, which, as a rule, may only be issued after a previous final judgment against a natural person.

As regards the second group of risks (apart from the Act on Liability of Collective Entities), i.e. the Act on Public Procurement, according to the state of knowledge as at the date of preparation of these consolidated financial statements, the premises resulting in liability have not materialized.

Taking into account the above assessments, the Budimex Group did not include any liabilities or provisions in the consolidated financial statements in relation to this matter. In the opinion of the Management Board of Budimex SA, the events that have occurred do not threaten the stability and credibility of Budimex SA and do not affect these consolidated financial statements in any way. In addition, in order to objectively explain the alleged irregularities, the Management Board of the Parent Entity commissioned an external entity to conduct an independent investigation into this matter, the completion of which is expected within the next few months.

On 20 March 2023, the Management Board of Budimex SA received information that the President of the Management Board of FBSerwis SA was released from custody.

Until the date of the authorization of these consolidated financial statements for publication, there were no other significant events that should be subject to disclosure.

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

45. Contingent assets and contingent liabilities

	31 December 2022	31 December 2021
Contingent assets		
From other entities		
– guarantees and sureties received	704 381	695 064
– bills of exchange received as security	74 957	5 700
From other entities, total	**779 338**	**700 764**
Other contingent assets	**11 844**	**-**
Total contingent assets	**791 182**	**700 764**
Contingent liabilities		
To other entities		
– guarantees and sureties issued	5 036 676	4 274 792
– promissory notes issued as security	9 031	10 848
To other entities, total	**5 045 707**	**4 285 640**
Other contingent liabilities	**181**	**181**
Total contingent liabilities	**5 045 888**	**4 285 821**
Total contingent items	**(4 254 706)**	**(3 585 057)**

Contingent assets arising from received guarantees and sureties represent guarantees issued by banks or other entities in favour of Budimex Group companies serving as security for the Group's claims towards business partners in connection with executed construction contracts.

Contingent liabilities arising from issued guarantees and sureties comprise mainly guarantees issued by banks in favour of Group companies' business partners to secure their claims against the Group companies that may arise on the grounds of executed construction contracts. The banks are entitled to recourse claims against Group companies under these guarantees. Guarantees issued to the customers of the Group represent an alternative, to the retentions held, method of securing potential investor claims relating to construction contracts. At the same time, the risk relating to warranty repairs assessed by the Management Board of the Group as probable was appropriately reflected in the warranty repair provision, as described in note 6.1 and note 26 to these consolidated financial statements.

The promissory notes issued represent security for the repayment of liabilities towards strategic suppliers of Group companies, while bills of exchange received and recognised under contingent assets represent security for the payment of receivables due to Group companies from their investors/ customers.

In addition, the Group has contingent liabilities resulting from the collaterals established on its assets, as described in note 38.

46. Employment structure

Employee group	**Number of employees as at 31 December**	
	2022	**2021**
Blue collar employees	2 887	2 966
White collar employees	4 135	3 973
Total	**7 022**	**6 939**

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

47. Information on the entity acting as a statutory auditor

On 24 March 2022, the Supervisory Board of Budimex SA adopted a resolution on the appointment of Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością Sp.k. to review the interim financial statements of Budimex SA and the interim consolidated financial statements of the Budimex Group for the 6-month periods of 2022 and 2023 and to audit the financial statements of Budimex SA and the consolidated financial statements of the Budimex Group for the financial years 2022-2023. Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością Sp.k. audited the accounts of Budimex SA and the Budimex Group also for the financial years 2017-2021.

The contract on the review and audit of the financial statements for 2022 was concluded on 11 August 2022. The fee for the audit and review of annual and interim separate and consolidated financial statements for 2022 amounted to PLN 580 thousand (incl. fee for the audit and review of reporting packages for the purposes of the Ferrovial Group); the fee for the services for 2021 amounted to PLN 699 thousand (incl. fee settlement of additional work relating to 2020).

The Audit Committee issued a written consent regarding providing by said audit firm the services of review and audit of reporting packages for the purposes of the Ferrovial Group and assessment of the report on remuneration of the Management and Supervisory Boards. The fee for the assessment of the report on remuneration of the Management and Supervisory Boards for the years 2021 - 2022 amounted to PLN 30 thousand per year.

The appointed audit firm did not provide any other services to the Group companies in the years 2021-2022. An entity from the network of the audit firm provided services in the form of open trainings at a cost of PLN 47 thousand in 2022 and PLN 44 thousand in 2021.

48. Significant events with an impact on the Group's financial position

The ongoing war in Ukraine has no direct impact on the activities of the Budimex Group. The Group does not execute contracts both in Ukraine and in countries covered by sanctions, i.e. Russia and Belarus. The companies of the Budimex Group also have no significant exposure to services provided by entities from these countries. Nevertheless, the limitation of imports of raw materials used in construction activities, including iron ore, and fluctuations in oil prices have a significant impact on the performance of concluded contracts. In addition, the construction sector recorded an outflow of employees from Ukraine, while the impact of this phenomenon on the activities of the Budimex Group is insignificant. Changes in the prices of key materials affect the profitability of long-term contracts, especially those that are at the initial stage of implementation. Fluctuations in steel prices may also have a direct impact on the profitability of contracts, especially in the scope of production of steel structures carried out by Mostostal Kraków SA.

Warsaw, 27 March 2023

Artur Popko President of the Management Board	
Jacek Daniewski Member of the Management Board	
Anna Karyś-Sosińska Member of the Management Board	
Cezary Łysenko Member of the Management Board	
Maciej Olek Member of the Management Board	
Marcin Węgłowski Member of the Management Board	

Grzegorz Fąfara Chief Accountant	