BUDIMEX SA

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)

Statement of financial position

ASSETS	Note	31 December 2022	31 December 2021
NON-CURRENT ASSETS (long-term assets)			
Property, plant and equipment	9	192 563	193 109
Intangible assets	11	34 459	36 949
Investments in subsidiaries	13	485 513	375 648
Investments in associates	13	191	191
Investments in other entities	13	3 266	3 266
Other financial assets	14.1; 14.2	83 740	37 713
Trade and other receivables	15	24 313	27 462
Retentions for construction contracts	26	80 269	82 482
Deferred tax assets	21	655 656	626 804
NON-CURRENT ASSETS (long-term), total		**1 559 970**	**1 383 624**
CURRENT ASSETS (short-term)			
Inventories	16	682 011	403 525
Trade and other receivables	15	801 590	1 029 354
Retentions for construction contracts	26	77 228	89 158
Valuation of construction contracts	24	485 840	699 701
Other financial assets	14.1; 14.2	5 475	3 014
Cash and cash equivalents	17	2 830 825	2 379 932
CURRENT ASSETS (short-term), total		**4 882 969**	**4 604 684**
TOTAL ASSETS		**6 442 939**	**5 988 308**

(all amounts are expressed in PLN thousand)

Statement of financial position (cont.)

EQUITY AND LIABILITIES	Note	31 December 2022	31 December 2021
EQUITY			
Issued capital	18	145 848	145 848
Share premium	18	80 199	80 199
Other reserves	18	57 672	55 053
Cumulative translation differences		6 323	5 857
Retained earnings	18	621 251	760 903
TOTAL EQUITY		**911 293**	**1 047 860**
LIABILITIES			
Non-current (long-term) liabilities			
Loans, borrowings and other external sources of finance	19	74 274	71 278
Retentions for construction contracts	26	221 109	227 318
Provisions for long-term liabilities and other charges	23	554 065	546 794
Retirement benefits and similar obligations	22	7 564	9 624
Other financial liabilities	14.1;14.3	6 621	1 621
Non-current liabilities, total		**863 633**	**856 635**
Current (short-term) liabilities			
Loans, borrowings and other external sources of finance	19	49 328	54 414
Trade and other payables	20	1 289 391	1 157 619
Retentions for construction contracts	26	205 273	200 047
Provisions for losses on construction contracts	24	791 275	510 843
Valuation of construction contracts	24	1 461 856	1 563 706
Deferred income	25	551 224	279 524
Provisions for short-term liabilities and other charges	23	290 009	262 385
Current tax liability		25 391	51 700
Retirement benefits and similar obligations	22	1 239	1 407
Other financial liabilities	14.1;14.3	3 027	2 168
Current (short-term) liabilities, total		**4 668 013**	**4 083 813**
TOTAL LIABILITIES		**5 531 646**	**4 940 448**
TOTAL EQUITY AND LIABILITIES		**6 442 939**	**5 988 308**

(all amounts are expressed in PLN thousand)

Profit and Loss Account

	Note	Year ended 31 December	
		2022	**2021**
Continuing operations			
Net sales of finished goods and services, goods for resale and raw materials	27	7 507 937	7 041 673
Cost of finished goods and services, goods for resale and raw materials sold	29	(6 789 565)	(6 437 199)
Gross profit on sales		**718 372**	**604 474**
Selling expenses	29	(13 396)	(12 012)
Administrative expenses	29	(257 837)	(228 123)
Other operating income	31	52 835	74 082
Other operating expenses	31	(40 347)	(19 828)
Operating profit		**459 627**	**418 593**
Finance income	32	128 279	764 824
Finance costs	32	(43 964)	(39 604)
Gross profit		**543 942**	**1 143 813**
Income tax	21	(84 403)	(164 180)
Net profit from continuing operations		**459 539**	**979 633**
Net profit for the period		**459 539**	**979 633**

Basic and diluted earnings per share attributable to shareholders (in PLN)	33	*18.00*	*38.37*

Statement of comprehensive income

	Note	Year ended 31 December	
		2022	**2021**
Net profit for the period		**459 539**	**979 633**
Other comprehensive income, of which:			
Items to be reclassified to profit or loss upon satisfaction of certain conditions:			
Cumulative translation differences		466	(141)
Deferred tax related to components of other comprehensive income		-	-
Items not to be reclassified to profit or loss:			
Actuarial gains/ (losses)	22	3 234	6 247
Deferred tax related to components of other comprehensive income	21	(615)	(1 187)
Other comprehensive income, net		**3 085**	**4 919**
Comprehensive income for the period		**462 624**	**984 552**

(all amounts are expressed in PLN thousand)

Statement of changes in equity

	Issued capital	Share premium	Other reserves	Cumulative translation differences	Retained earnings	Total
Balance as at 1 January 2022	**145 848**	**80 199**	**55 053**	**5 857**	**760 903**	**1 047 860**
Profit for the period	-	-	-	-	459 539	**459 539**
Other comprehensive income	-	-	2 619	466	-	**3 085**
Comprehensive income for the period	**-**	**-**	**2 619**	**466**	**459 539**	**462 624**
Dividend payment (note 34)	-	-	-	-	(599 191)	**(599 191)**
Balance as at 31 December 2022	**145 848**	**80 199**	**57 672**	**6 323**	**621 251**	**911 293**

(all amounts are expressed in PLN thousand)

Statement of changes in equity (cont.)

	Issued capital	Share premium	Other reserves	Cumulative translation differences	Retained earnings	Total
Balance as at 1 January 2021	**145 848**	**80 199**	**49 993**	**5 998**	**588 020**	**870 058**
Profit for the period	-	-	-	-	979 633	**979 633**
Other comprehensive income	-	-	5 060	(141)	-	**4 919**
Comprehensive income for the period	**-**	**-**	**5 060**	**(141)**	**979 633**	**984 552**
Dividend payment	-	-	-	-	(426 352)	**(426 352)**
Interim dividend payment (note 34)	-	-	-	-	(380 398)	**(380 398)**
Balance as at 31 December 2021	**145 848**	**80 199**	**55 053**	**5 857**	**760 903**	**1 047 860**

(all amounts are expressed in PLN thousand)

Statement of cash flows

	Note	Year ended 31 December	
		2022	2021
CASH FLOW FROM OPERATING ACTIVITIES			
Gross profit		**543 942**	**1 143 813**
Adjustments for:			
Depreciation/ amortization	29	84 963	84 680
Foreign exchange (gains)/ losses		1 515	634
Interest and shares in profits (dividends)		(8 453)	(188 490)
(Profit)/ loss on investing activities		(1 729)	(575 494)
Change in valuation of derivative financial instruments	14.1	(2 794)	3 785
Change in provisions and liabilities arising from retirement benefits and similar obligations	35	35 901	72 348
Other adjustments	35	424	(171)
Operating profit before changes in working capital		**653 769**	**541 105**
Change in receivables and retentions for construction contracts	35	241 764	(275 854)
Change in inventories		(278 486)	20 349
Change in retentions for construction contracts and in liabilities, except for loans and borrowings	35	130 803	(25 104)
Change in valuation of construction contracts and provision for losses on construction contracts	24	392 443	336 730
Change in deferred income	25	271 700	(115 157)
Change in the balance of cash and cash equivalents of restricted use	17	13 339	(18 169)
Cash flow from operating activities		**1 425 332**	**463 900**
Income tax paid	35	(140 178)	(276 279)
NET CASH FROM OPERATING ACTIVITIES		**1 285 154**	**187 621**
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of intangible assets and property, plant and equipment		6 694	18 218
Acquisition of intangible assets and property, plant and equipment		(22 777)	(29 275)
Purchase of shares in affiliates	13	(99 774)	(47 889)
Disposal of shares in affiliates		-	1 321 772
Loans granted	14.2	(80 852)	(81 834)
Repayment of loans granted	14.2	32 593	44 000
Dividends received	15; 32	10 349	190 515
Interest received	14.2	943	657
Advance granted for the purchase of shares		-	(3 675)
NET CASH (USED) IN/ FROM INVESTING ACTIVITIES		**(152 824)**	**1 412 489**

(all amounts are expressed in PLN thousand)

Statement of cash flows (cont.)

	Note	Year ended 31 December 2022	Year ended 31 December 2021
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid	34	(599 191)	(806 750)
Payment of lease liabilities	40	(63 224)	(76 641)
Interest paid	40	(4 669)	(2 626)
NET CASH (USED) IN FINANCING ACTIVITIES		**(667 084)**	**(886 017)**
TOTAL NET CASH FLOW		**465 246**	**714 093**
Foreign exchange differences on cash and cash equivalents, net		(1 014)	(720)
CASH AND CASH EQUIVALENTS - OPENING BALANCE	17	**2 357 583**	**1 644 210**
CASH AND CASH EQUIVALENTS - CLOSING BALANCE	17	**2 821 815**	**2 357 583**

Notes to financial statements

1. General information

Budimex SA (the „Company", „Issuer") with its registered office in Warsaw at ul. Siedmiogrodzka 9, is 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. 0000001764.

Budimex SA is the parent company of the Budimex Group (hereinafter the "Group"), in which it serves as an advisory, management and financial centre.

The Company has an unlimited period of operation.

The main area of the Company's business activities are broadly understood construction and assembly services rendered under the system of general contracting at home and abroad, and limited scope trading and production activities.

According to the Polish Classification of Activities (Polska Klasyfikacja Działalności - „PKD" 2007"), as at 31 December 2022 the main scope of the Company's business activities was civil engineering (PKD 42.11.Z). The industry branch in which the Company operates was classified by the Warsaw Stock Exchange as general construction.

As at 31 December 2022, the Company operated the following branches:

- Oddział Budownictwa Ogólnego Północ in Poznań at ul. Wołowska 92A,
- Oddział Budownictwa Ogólnego Południe in Cracow at ul. Wielicka 20,
- Oddział Budownictwa Ogólnego Wschód in Warsaw at ul. Siedmiogrodzka 9,
- Oddział Budownictwa Komunikacyjnego Północ in Warsaw at ul. Siedmiogrodzka 9,
- Oddział Budownictwa Komunikacyjnego Południe in Cracow at ul. Wielicka 20,
- Oddział Budownictwa Komunikacyjnego Zachód in Wrocław at ul. Mokronoska 2,
- Oddział Budownictwa Przemysłowego i Kolejowego in Warsaw at ul. Siedmiogrodzka 9,
- Oddział Usług Sprzętowych in Pruszków at ul. Przejazdowa 24,
- Oddział in Rzeszów at ul. Słowackiego 24,
- Oddział in Poznań at ul. Wołowska 92A,
- Budimex SA Zweigniederlassung Köln, Pferdmengesstr. 5, Köln, Germany.

Between 1 January 2023 and the date of this report the following branches were established:

- Branch in Czechia, at 1174 Ceskobrodska Str., Prague, Czechia,
- Branch in Slovakia, at 100B Vajnorska Str., Bratislava, Slovakia.

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

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

The Company prepared consolidated financial statements for the year ended 31 December 2022, which were authorized for issue on 27 March 2023.

2. Going concern assumption

The attached financial statements were prepared on the assumption that the Company will continue as a going concern in the foreseeable future. As at the date of signing these financial statements, the Management Board is not aware of any facts or circumstances that would indicate any threat to the Company's continued activities after the reporting date due to an intended or compulsory withdrawal from or a significant limitation in its activities.

Budimex SA did not conduct in 2022, does not conduct at the time of the preparation of these financial statements and does 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 Company's assets.

3. Basis of preparing financial statements and the statement of compliance

These 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 financial statements.

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

In the financial year ended 31 December 2022, the Company 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 Company's accounting policy applied so far.

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

In authorizing these financial statements, the Company *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 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 financial statements, had they been applied by the Company at the reporting date.

The financial statements were prepared under the historical cost convention, except for the hyperinflation adjustment described in note 18 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 Company 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 financial statements of the Company, fair value is defined on the above basis, except for share-based payments which are within the scope of IFRS 2, leasing transactions which are within the scope of IFRS 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 Company 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 Company 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).

4. Key accounting policies

The main accounting policies applied during the course of the preparation of these financial statements are presented below. These accounting policies were applied consistently in all the periods presented, except for the application of new or amended standards and IFRIC interpretations which are binding for the annual periods commencing on or after 1 January 2022.

4.1 Foreign currency transactions and valuation of foreign currency items

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are initially stated in the functional currency; for the purpose of translation of foreign currency balances, a spot exchange rate (of the functional currency into foreign currency) 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

The financial result, assets, equity and liabilities of a foreign operation with a functional currency other than that of the Company (in Euro) are translated into Polish zloty as follows:

- assets and liabilities are translated using the closing rate prevailing at the reporting date,
- revenues and costs are translated using the exchange rate being the arithmetic mean of the average exchange rates set by the National Bank of Poland on the last day of each ended 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".

4.2 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 method, so as to spread their initial cost reduced by residual value over their estimated useful lives. Depreciation starts when a given item of property, plant and equipment is available for use.

The useful lives of the Company's property, plant and equipment are as follows:

- right-of-use asset - land 2 – 71 years
- own buildings and constructions 2 – 40 years
- right-of-use asset - buildings and constructions 2 – 7 years
- own plant and machinery 2 – 30 years
- right-of-use asset - plant and machinery 2 – 25 years
- own means of transport 2 – 14 years
- right-of-use asset - means of transport 2 – 8 years
- own other [tangible] fixed assets 2 – 14 years
- right-of-use asset - other [tangible] fixed assets 3 years

A separate item of property, plant and equipment is recognised only when it is probable that an inflow of economic benefits will flow to the Company 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 (advance payments) for construction in progress are presented under property, plant and equipment.

4.3 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 Company 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 total value of impairment losses.

Intangible assets are amortized using the straight-line method over their estimated useful lives.

The expected useful lives of the Company's intangible assets are as follows:

- development costs 2 years
- software 2 – 10 years

The estimated useful life 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 intangible assets.

4.4 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 further use of the asset.

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.

4.5 Borrowing costs

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 assets are generally fit for the intended use or disposal.

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

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.

4.6 Leases

At inception of a contract, Budimex SA makes 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 Company recognises 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 for impairment in accordance with IAS 36. The value of the right-of-use asset is re-measured if lease liability, as a corresponding entry, was re-measured due to a change in the existing fixed lease instalments or due to 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 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 existing fixed lease instalments (change in the now fixed interest or rate).

Presentation/ Disclosure

Budimex SA 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 in the following reporting line items “property, plant and equipment” (contracts of rent/ hire/ lease of office space, plots of land used temporarily as construction sites, passenger and commercial (heavy goods) 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 financial statements.

Right to perpetual usufruct of land vs IFRS 16

Based on the general definition of a lease, the Company determined that the perpetual usufruct right to land, in accordance with IFRS 16, meets the definition of a lease and thus should be recognized in the statement of financial position as a right-of-use asset.

As regards the right of perpetual usufruct used for the Company’s 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 Company. As a corresponding entry, Budimex SA recognises a long- or short-term lease liability, as appropriate.

Exemptions and practical expedients

The Company decided to apply the exemption provided in paragraph 5 of IFRS16. This means that in the case of short-term lease contracts and lease contracts where the underlying asset is of low value the Company recognizes lease payments associated with such asset as an expense in the profit and loss account on either the straight-line or other systematic basis. Budimex SA assumed that the low value is the Polish zloty equivalent of USD 5,000. The selection of the exemption from recognition of short-term leases was made for all types of right-of-use assets.

4.7 Impairment of non-financial assets

An assessment is made by the Company 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 exceed the total of 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.

4.8 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,
- 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.

4.9 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 performing construction contracts.

The Company recognises cash of restricted use in the statement of financial position under cash and cash equivalents, while for the purpose of 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.

4.10 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 Company,
- a contract that will or may be settled in the entity's own instruments and is:
  - a non-derivative instrument for which the Company is or may be obliged to receive 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 Company's 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 Company's own equity instruments and is:
  - a non-derivative for which the Company 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 Company's own equity instruments.

Financial assets and financial liabilities are recognised when the Company 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 Company 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 Company 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 also made to hedge cash flows against foreign exchange risk.

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 rate) 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 Company does not apply hedge accounting.

As regards transactions on the money, equity or derivatives markets, Budimex SA cooperates with prime banks, without causing significant credit risk concentration in the process.

Impairment of financial assets

The Company recognises 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 and valuation of construction contracts), the 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 the Company 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 Company re-measured the lifetime ECL allowance to the amount of 12-month expected credit losses.

4.11 Equity

Issued capital comprises ordinary shares and is recorded at nominal value (consistently with the provisions of the 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 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 cover the capital established in accordance with Polish statutory requirements, capital established in accordance with the Company's Articles of Association in excess of statutory amounts, costs of the share-based payment scheme operated by Ferrovial SA (note 36) as well as actuarial gains/(losses) on retirement benefits and similar obligations.

Cumulative translation differences comprise the effect of translation of the financial statements of a foreign operation of the Company from foreign currency to Polish zloty (PLN).

4.12 Employee benefits

The Company operates retirement benefits/ pension plan programs and to this end creates provisions for the present value of their underlying liabilities, recognised under *"Retirement benefits and similar obligations"*. Payments under these programs are expensed so as to ensure that the costs of those benefits are spread over employees' entire working lives at the Company. 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 employee benefits and allowances *are not* funded as no separate fund is recognised for this purpose.

4.13 Share-based payments

Ferrovial SA, the ultimate parent company, operates own equity-settled, share-based compensation plan under which employees of the Company render services to the Company and to 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 is recognised in the financial statements as an expense with a corresponding increase in other reserves or liabilities, 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, Budimex SA 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). The fair value of equity awards granted in the years 2010-2013 was recognized in other reserves.

4.14 Provisions

The Company creates 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.

In the case of rendered construction services, the Company is required to provide appropriate warranties. The amount of warranty provision is linked to particular construction segments and ranges from 0.3% to 1.5% of total revenue from a given contract. 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 Company creates 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.

4.15 Recognition of revenues and expenses

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,
- the Company can identify each party's rights regarding the goods or services to be transferred,
- the Company can identify the payment terms for the goods or services to be transferred,
- the contract has commercial substance,
- it is probable that the 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 Company combines two or more contracts entered into at or near the same time with the same customer (or related parties of the customer) and accounts 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 Company accounts 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 Company recognises revenue when (or as) the Company 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 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 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 the Company and it has an enforceable right to payment for performance completed to date.

It is assumed that in rendering by the Company 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 Company’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.

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 Company 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 Company expects to recover.

If contract performance obligation is not satisfied over time, it is assumed that the Company 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 direct 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).

Included in assets is "Valuation of construction contracts" referring to all contracts in progress, for which recognised revenues exceed progress billings. The outstanding accrued and 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. Recorded under "Amounts due and payable to customers under construction contracts" are also provisions for contract losses. 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".

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.

Customer contracts concluded by the Company 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 Company analyses whether the concluded contracts contain the variable consideration element and, in the event of identifying significant values, estimates the total amount of the consideration to which it will be entitled.

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

Interest income is recognised with respect to the principal amount due and receivable in accordance with the effective interest rate method.

Dividend income is recognised when the shareholder right to receive dividend has been established.

In accordance with the accruals concept, the Company 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").

4.16 Gross profit/ (loss) on sales

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

- revenue from sale of ordinary production and other services rendered as part of ordinary business activities of the Company, 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.

4.17 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.

4.18 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 a foreign operation 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, the Company recognises deferred tax liabilities and deferred tax assets in its 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.

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. Deferred tax assets and deferred tax liabilities are netted off.

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 in equity.

4.19 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 authority is included as part of receivables or payables in the statement of financial position.

4.20 Recognition of uncertain tax position

If according to the Company's assessment it is probable that the tax authorities will accept an uncertain tax treatment or a group of uncertain tax treatments, the Company determines taxable income (tax loss), tax base, carry-forwards 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 the 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 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.

4.21 Joint arrangements

The Company'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 Company recognises its assets and liabilities (including share in the assets and liabilities held/incurred jointly) and its part of revenues and costs of a joint operation,
- joint venture (companies – where shareholders have right to company's net assets) – the Company recognises its share using the equity method.

5. 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.

5.1 Key accounting estimates

The Company's Management Board makes estimates and assumptions regarding the future which are reflected in these financial statements. The actual results may differ from these estimates. The Company'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 4 "Key accounting policies".

Un-invoiced services

The Company executes 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, a number of completed, yet not accepted and un-invoiced by subcontractors, construction project works is recorded. In accordance with the accruals concept, these are recognised by the Company as contract costs. The value of the costs of completed and un-invoiced projects is determined by Company's technical surveyors 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 these regulations 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 the Company as regards the interpretation of binding regulations, which could have a significant impact on its tax liabilities.

As at 31 December 2022 and until the date of the preparation of these financial statements, no tax inspections were carried out in the Company.

Provisions for future warranty repairs

In the case of construction services, the Company is obliged to provide a guarantee for its services. The amount of warranty provision is related to individual construction segments and ranges from 0.3% to 1.5% of total revenue from a given contract. This value is, however, analysed on an individual basis and in justified cases may be increased or reduced, as appropriate.

Provisions for legal cases, penalties and liquidated damages

The Company's Management Board carries out detailed analyses of risks resulting from court proceedings against the Company and reported claims and, based thereon, makes decisions on the possible recognition and amount of provisions.

5.2 Professional judgment in applying accounting policies

Recognition of construction contracts revenue and losses

In accordance with the description presented in note 4.15, 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 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.

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 direct 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 Company will have to incur to complete the implementation of a given construction contract.

6. Discontinued operations

In 2022 and 2021, no operations were discontinued within the meaning of IFRS 5.

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

7. Financial risk management

The main financial instruments used by the Company are:

- leases, loans and borrowings, the objective of which is to obtain financial resources to finance Company's activities,
- trade receivables and trade liabilities as well as other receivables and other payables, and cash and short-term deposits that arise during day-to-day operations of the Company,
- derivative financial instruments such as foreign currency forward contracts or currency options, the purpose of which is to manage currency risk arising from concluded foreign currency contracts.

In the course of its business, the Company 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 its core business activities, the Company enters into foreign currency construction contracts and agreements with subcontractors and suppliers. The foreign currency risk management policy adopted by the Management Board consists in hedging future cash flows resulting from these contracts in order to limit the effect of volatility of currency exchange rates on the results of the Company. In accordance with this policy, the Company hedges against foreign currency risk attached to each construction 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 currency options) or, 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 Company's 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 with investors in foreign currency and by way of analysis of foreign currency outflows for the contracts concluded with investors in domestic currency) and for all contracts in aggregate. It is the Management Board's policy to hedge the net foreign currency exposure on realised contracts. As at 31 December 2022, approximately 84% of the Company's exposure to foreign exchange risk was hedged.

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 Company'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 (sum of absolute values)			
– EUR	117 810	(19 235)	19 235
Financial instruments denominated in foreign currencies – net currency exposure:			
– EUR	21 300	9 989	(9 989)
– USD	78	34	(34)
– CHF	(70)	(33)	33
Advances received			
– EUR	(55 000)	(25 794)	25 794
Gross effect on the result for the period and net assets		**(35 039)**	**35 039**
Deferred tax		6 657	(6 657)
Total		**(28 382)**	**28 382**

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

	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	62 320	(14 007)	14 007
– CHF	440	195	(195)
Financial instruments denominated in foreign currencies – net currency exposure:			
– EUR	3 497	1 608	(1 608)
– USD	195	79	(79)
Gross effect on the result for the period and net assets		**(12 125)**	**12 125**
Deferred tax		2 304	(2 304)
Total		**(9 821)**	**9 821**

Interest rate risk

Interest rate risk occurs mainly due to the use by the Company of lease contracts. Lease contracts concluded by the Company are based on variable interest rates and expose the Company to cash flows fluctuations. The interest rate risk relating to current debt was assessed as relatively low from the perspective of its impact on the Company's results. At present, interest rate risk management covers both ongoing monitoring of the market situation and debt levels, as well as possible 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 Company'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 and USD. As at 31 December 2021, the "reasonably possible" fluctuations in interest rates were assessed at at -2.5/+2.5p.p. for PLN and -0.25/+0.25 p.p. for EUR, USD and CHF.

At the same time, a parallel shift was assumed of the swap curve to calculate discount sensitivity to interest rates fluctuations.

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)	-50 bp (PLN) -75 bp (EUR)/ (USD)
Loans granted (principal)	82 146	412	(412)
Cash at bank (fair value)	2 830 822	14 422	(14 422)
Lease liabilities (present value)	(123 602)	(735)	735
Gross effect on the result for the period and net assets		**14 099**	**(14 099)**
Deferred tax		(2 679)	2 679
Total		**11 420**	**(11 420)**

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

	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))
Loans granted (principal)	39 517	947	(947)
Cash at bank (fair value)	2 379 927	58 113	(58 113)
Lease liabilities (present value)	(125 692)	(1 762)	1 762
Gross effect on the result for the period and net assets		**57 298**	**(57 298)**
Deferred tax		(10 887)	10 887
Total		**46 411**	**(46 411)**

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 Company is exposed to the price risk relating to the increase in the prices of energy and crude oil derivatives such as: gasoline, diesel oil, bitumen 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 Company 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 Company conducts ongoing monitoring of the prices of strategic raw materials and construction products, including energy prices. In 2022, the Company 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 Company's demand for electricity. The launch of this project is planned for the first half of 2024. The Company operates the Procurement Department, which pursues a purchasing policy adapted to Budimex's contracting strategy and, based on the construction work plans, negotiates framework agreements with suppliers of basic building materials, striving to secure them in the long term.

Credit risk

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

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

The Company operates the policy of assessment and verification of credit risk based on the quantitative-qualitative models using publicly available information and the rating of external rating agencies. The credit risk of private investors is subject to a special assessment 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 repayment 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 Company, taking into account the fact that its main customer is a government agency *(urząd administracji rządowej).* The Company 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 Company's business partners are banks with high credit ratings awarded by reputable international rating agencies.

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

Except for the data presented in note 44, the value of financial assets recognised in the statement of financial position, before losses, reflects the maximum credit risk exposure of the Company, without taking into account the value of received collaterals and securities.

Liquidity risk

In order to limit the risk of loss of liquidity, the Company holds an adequate amount of cash and marketable securities and concludes credit facilities contracts which serve as an additional security of liquidity. To finance its investment purchases, the Company uses own funds or long-term finance lease contracts that ensure appropriate stability of financing structure for this type of assets. Liquidity management is supported by the Company's liquidity forecast reporting system.

The maturity structure of lease liabilities has been presented in note 19. The maturity structure of other financial liabilities is presented in the respective notes.

The current good financial standing of the Company in terms of liquidity and access to external sources of finance does not pose any threat to the financing of its operations.

8. Capital management

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

The Company manages its capital structure and modifies it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Company 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 Company 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.

	31 December 2022	**31 December 2021**
Interest-bearing loans and borrowings and other external sources of finance	123 602	125 692
Trade and other payables	4 127 148	3 613 438
Less: cash and cash equivalents	(2 830 825)	(2 379 932)
Net debt	**1 419 925**	**1 359 198**
Equity	911 293	1 047 860
Equity and net debt	**2 331 218**	**2 407 058**
Gearing ratio	**60.91%**	**56.47%**

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

9. Property, plant and equipment

	Land & perpetual usufruct to land		Buildings & constructions		Plant & machinery		Means of transport		Other [tangible] fixed assets		Construction in progress (AUC)	Prepayment for AUC	Total
	freehold	leased	own	leased	own	leased	own	leased	own	leased			
Gross value as at 1 January 2022	**2 876**	**12 510**	**17 358**	**53 954**	**177 302**	**120 945**	**23 618**	**81 482**	**46 768**	**4 097**	**446**	**-**	**541 356**
Increases:	**-**	**16 236**	**336**	**37 182**	**38 174**	**1 817**	**9 346**	**17 502**	**2 700**	**185**	**(220)**	**89**	**123 347**
- purchase	-	-	336	-	6 453	-	7 751	-	2 366	-	-	-	16 906
- re-purchase of leased assets	-	-	-	-	31 705	-	1 295	-	271	-	-	-	33 271
- acceptance for use under lease contracts	-	16 235	-	37 182	-	1 817	-	17 501	-	185	-	-	72 920
- transfer from construction in progress (AUC)	-	-	-	-	12	-	300	-	40	-	(352)	-	-
- increase in construction in progress	-	-	-	-	-	-	-	-	-	-	132	-	132
- granting advances	-	-	-	-	-	-	-	-	-	-	-	89	89
- foreign exchange differences	-	-	-	-	4	-	-	-	23	-	-	-	27
- other	-	1	-	-	-	-	-	1	-	-	-	-	2
Decreases:	**-**	**(13 962)**	**(183)**	**(7 410)**	**(11 470)**	**(33 644)**	**(4 168)**	**(16 653)**	**(3 773)**	**(332)**	**-**	**-**	**(91 595)**
- sale	-	-	-	-	(8 030)	-	(4 155)	-	(1 180)	-	-	-	(13 365)
- liquidation	-	(13 962)	(183)	(7 409)	(3 440)	(1 939)	(13)	(15 358)	(2 593)	(61)	-	-	(44 958)
- re-purchase of leased assets	-	-	-	-	-	(31 705)	-	(1 295)	-	(271)	-	-	(33 271)
- other	-	-	-	(1)	-	-	-	-	-	-	-	-	(1)
Gross value as at 31 December 2022	**2 876**	**14 784**	**17 511**	**83 726**	**204 006**	**89 118**	**28 796**	**82 331**	**45 695**	**3 950**	**226**	**89**	**573 108**
Accumulated depreciation as at 1 Jan 2022	**-**	**(4 485)**	**(9 305)**	**(20 855)**	**(148 086)**	**(63 740)**	**(17 170)**	**(44 560)**	**(36 666)**	**(1 703)**	**-**	**-**	**(346 570)**
Movements for the period:	**-**	**(2 187)**	**(1 602)**	**(7 332)**	**(28 578)**	**12 791**	**123**	**(3 822)**	**(682)**	**(1 009)**	**-**	**-**	**(32 298)**
- charge for the period (note 29)	-	(5 423)	(1 785)	(13 570)	(12 753)	(15 423)	(2 754)	(19 903)	(3 874)	(1 341)	-	-	(76 826)
- sale	-	-	-	-	7 311	-	3 928	-	961	-	-	-	12 200
- liquidation	-	3 237	183	6 238	3 165	1 916	13	15 016	2 523	61	-	-	32 352
- re-purchase of leased assets	-	-	-	-	(26 298)	26 298	(1 064)	1 064	(271)	271	-	-	-
- foreign exchange differences	-	-	-	-	(4)	-	-	-	(19)	-	-	-	(23)
- other	-	(1)	-	-	1	-	-	1	(2)	-	-	-	(1)
Accumulated depreciation as at 31 Dec 2022	**-**	**(6 672)**	**(10 907)**	**(28 187)**	**(176 664)**	**(50 949)**	**(17 047)**	**(48 382)**	**(37 348)**	**(2 712)**	**-**	**-**	**(378 868)**
Impairment write-downs as at 1 January 2022	**(1 677)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1 677)**
Impairment write-downs as at 31 Dec 2022	**(1 677)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1 677)**
Net value as at 1 January 2022	**1 199**	**8 025**	**8 053**	**33 099**	**29 216**	**57 205**	**6 448**	**36 922**	**10 102**	**2 394**	**446**	**-**	**193 109**
Net value as at 31 December 2022	**1 199**	**8 112**	**6 604**	**55 539**	**27 342**	**38 169**	**11 749**	**33 949**	**8 347**	**1 238**	**226**	**89**	**192 563**

(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)	Prepayment for AUC	Total
	freehold	leased	own	leased	own	leased	own	leased	own	leased			
Gross value as at 1 January 2021	**2 876**	**7 951**	**15 933**	**42 470**	**155 968**	**165 215**	**21 380**	**74 671**	**45 844**	**4 137**	**300**	**-**	**536 745**
Increases:	**-**	**5 642**	**1 425**	**12 478**	**58 425**	**1 863**	**3 101**	**12 532**	**3 864**	**-**	**146**	**-**	**99 476**
- purchase	-	-	1 422	-	12 726	-	2 548	-	3 863	-	-	-	20 559
- re-purchase of leased assets	-	-	-	-	45 492	-	553	-	-	-	-	-	46 045
- acceptance for use under lease contracts	-	5 642	-	12 477	-	1 863	-	12 532	-	-	-	-	32 514
- transfer from construction in progress (AUC)	-	-	-	-	206	-	-	-	-	-	(206)	-	-
- increase in AUC	-	-	-	-	-	-	-	-	-	-	352	-	352
- other	-	-	3	1	1	-	-	-	1	-	-	-	6
Decreases:	**-**	**(1 083)**	**-**	**(994)**	**(37 091)**	**(46 133)**	**(863)**	**(5 721)**	**(2 940)**	**(40)**	**-**	**-**	**(94 865)**
- sale	-	-	-	-	(34 982)	-	(861)	-	(2 029)	-	-	-	(37 872)
- liquidation	-	(1 081)	-	(994)	(2 106)	(640)	-	(5 167)	(907)	(40)	-	-	(10 935)
- re-purchase of leased assets	-	-	-	-	-	(45 492)	-	(553)	-	-	-	-	(46 045)
- other	-	(2)	-	-	(3)	(1)	(2)	(1)	(4)	-	-	-	(13)
Gross value as at 31 December 2021	**2 876**	**12 510**	**17 358**	**53 954**	**177 302**	**120 945**	**23 618**	**81 482**	**46 768**	**4 097**	**446**	**-**	**541 356**
Accumulated depreciation as at 1 Jan 2021	**-**	**(2 136)**	**(7 612)**	**(10 020)**	**(136 506)**	**(72 149)**	**(15 612)**	**(29 499)**	**(34 887)**	**(482)**	**-**	**-**	**(308 903)**
Movements for the period:	**-**	**(2 349)**	**(1 693)**	**(10 835)**	**(11 580)**	**8 409**	**(1 558)**	**(15 061)**	**(1 779)**	**(1 221)**	**-**	**-**	**(37 667)**
- charge for the period (note 29)	-	(3 419)	(1 688)	(11 551)	(12 129)	(20 843)	(1 960)	(20 455)	(4 257)	(1 250)	-	-	(77 552)
- sale	-	-	-	-	27 070	-	861	-	1 600	-	-	-	29 531
- liquidation	-	1 069	-	717	2 087	640	-	4 933	873	29	-	-	10 348
- re-purchase of leased assets	-	-	-	-	(28 609)	28 609	(461)	461	-	-	-	-	-
- foreign exchange differences	-	-	-	-	-	-	-	-	3	-	-	-	3
- other	-	1	(5)	(1)	1	3	2	-	2	-	-	-	3
Accumulated depreciation as at 31 Dec 2021	**-**	**(4 485)**	**(9 305)**	**(20 855)**	**(148 086)**	**(63 740)**	**(17 170)**	**(44 560)**	**(36 666)**	**(1 703)**	**-**	**-**	**(346 570)**
Impairment write-downs as at 1 January 2021	**(1 677)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1 677)**
Impairment write-downs as at 31 Dec 2021	**(1 677)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1 677)**
Net value as at 1 January 2021	**1 199**	**5 815**	**8 321**	**32 450**	**19 462**	**93 066**	**5 768**	**45 172**	**10 957**	**3 655**	**300**	**-**	**226 165**
Net value as at 31 December 2021	**1 199**	**8 025**	**8 053**	**33 099**	**29 216**	**57 205**	**6 448**	**36 922**	**10 102**	**2 394**	**446**	**-**	**193 109**

(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 finished goods and services sold	68 851	69 672
Administrative expenses	7 932	7 813
Selling expenses	43	67
Total (note 29)	**76 826**	**77 552**

As at 31 December 2022 and 31 December 2021, there were no collaterals/securities established on property, plant and equipment.

In 2022, the Company did not receive any compensation in respect of those fixed assets that were impaired or lost. In 2021, the Company received PLN 41 thousand in compensation in respect of those fixed assets were impaired or lost.

10. Non-current assets held for sale

As at 31 December 2022 and 31 December 2021, there were no material fixed assets that the Company intended to dispose of in the next 12 months.

11. Intangible assets

	Development costs	Computer software	Intangible assets under construction	Total
Gross value as at 1 Jan 2022	**450**	**73 096**	**9 060**	**82 606**
Increases	**-**	**621**	**5 037**	**5 658**
- purchase	-	380	-	380
- transfer of advance payments	-	-	5 257	5 257
- settlement of advance payments	-	220	(220)	-
- foreign exchange differences	-	21	-	21
Decreases	**-**	**(3 593)**	**-**	**(3 593)**
- liquidation	-	(3 593)	-	(3 593)
Gross value as at 31 Dec 2022	**450**	**70 124**	**14 097**	**84 671**
Accumulated amortization as at 1 January 2022	**(169)**	**(45 488)**	**-**	**(45 657)**
Movements for the period	**(225)**	**(4 330)**	**-**	**(4 555)**
- charge for the period (note 29)	(225)	(7 912)	-	(8 137)
- liquidation	-	3 593	-	3 593
- foreign exchange differences	-	(11)	-	(11)
Accumulated amortization as at 31 December 2022	**(394)**	**(49 818)**	**-**	**(50 212)**
Net value as at 1 January 2022	**281**	**27 608**	**9 060**	**36 949**
Net value as at 31 Dec 2022	**56**	**20 306**	**14 097**	**34 459**

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

	Development costs	Computer software	Intangible assets under construction	Total
Gross value as at 1 Jan2021	**-**	**64 953**	**11 030**	**75 983**
Increases	**450**	**9 865**	**(1 970)**	**8 345**
- purchase	-	1 607	-	1 607
- transfer of advance payments	-	-	6 738	6 738
- settlement of advance payments	450	8 258	(8 708)	-
Decreases	**-**	**(1 722)**	**-**	**(1 722)**
- liquidation	-	(234)	-	(234)
- sale	-	(1 484)	-	(1 484)
- foreign exchange differences	-	(3)	-	(3)
- other	-	(1)	-	(1)
Gross value as at 31 Dec 2021	**450**	**73 096**	**9 060**	**82 606**
Accumulated amortization as at 1 January 2021	**-**	**(39 806)**	**-**	**(39 806)**
Movements for the period	**(169)**	**(5 682)**	**-**	**(5 851)**
- charge for the period (note 29)	(169)	(6 959)	-	(7 128)
- liquidation	-	234	-	234
- sale	-	1 042	-	1 042
- foreign exchange differences	-	1	-	1
Accumulated amortization as at 31 December 2021	**(169)**	**(45 488)**	**-**	**(45 657)**
Net value as at 1 January 2021	**-**	**25 147**	**11 030**	**36 177**
Net value as at 31 Dec 2021	**281**	**27 608**	**9 060**	**36 949**

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

	2022	2021
Cost of finished goods and services sold	500	258
Administrative expenses	7 520	6 754
Selling expenses	117	116
Total (note 29)	**8 137**	**7 128**

The Company did not report any intangible assets developed internally. Costs of completed development work include purchased assets and work carried out by external research units.

The value of expenditure on research and development recognised in 2022 as a cost amounted to PLN 88 867 thousand (in 2021: PLN 16 846 thousand).

As at 31 December 2022 and 31 December 2021, the Company reported no liens or encumbrances *(obciążenia o charakterze prawnorzeczowym)* or encumbrances obligating to perform a legal act *(obciążenia obligacyjne)* established on its intangible assets. No impairment write-downs against intangible assets were made in the year 2022 or 2021.

12. Joint operations

The financial data of Budimex SA as at 31 December 2022 and 31 December 2021 contain balances attributable to the Company due to its share in the following entities which are under common control and which in accordance with IFRS 11 are treated as joint operations (the share of the Company in joint arrangements is recognised as joint operations where the Company has right to its share in the assets and obligations for the liabilities relating to the arrangement):

- Construction of the headquarters of Transmission System Operator *(„Budowa siedziby Operatora Systemu Przesyłowego”),* realised as part of the Budimex SA Sygnity SA Sp.j. general partnership; the share Budimex SA in this general partnership is 67% (contract completed in 2009),
- 1st phase of the contract called Design and construction of the A-1 motorway on the section Stryków-Pyrzowice *(„I faza kontraktu „Projekt i budowa Autostrady A-1 na odcinku Stryków – Pyrzowice”)* realised as part of the Budimex SA Ferrovial Construccion SA sp.j. general partnership; the share of Budimex SA in this project is 50% (on 16 November 2022, the

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

company's shareholders adopted a resolution on liquidation of the company; liquidation was registered in the National Court Register on 13 January 2023),

- Construction of a new power unit in Elektrownia Turów *(„Budowa nowego bloku energetycznego w Elektrowni Turów")* as part of the Budimex SA – Técnicas Reunidas SA – Turów s.c. civil-law partnership; the share of Budimex SA in this project is 50% (contract completed in 2021),
- Modernization of the preliminary ozonation system at Zakład Północny MPWiK *(„Modernizacja instalacji ozonowania wstępnego w Zakładzie Północnym MPWiK")* as part of the Budimex SA – Cadagua SA III s.c. civil-law partnership; the share of Budimex SA in this project was 99.9% (contract completed in 2018),
- Modernization of Zakład Pónocny – phase 2. Modernization of rapid sand filters *(„Modernizacja Zakładu Północnego - etap II. Modernizacja filtrów pośpiesznych piaskowych")* realised as part of the Budimex SA – Cadagua SA IV s.c. civil-law partnership; the share of Budimex SA in this project is 99.9% (contract completed in 2020),
- Modernization of Zakład Pónocny – phase 2. Modernization of pumping station I and II *(„Modernizacja Zakładu Północnego - etap II. Modernizacja pompowni I i II stopnia")* realised as part of the Budimex SA – Cadagua SA V s.c. civil-law partnership; the share of Budimex SA in this project is 99.9% (contract completed in 2021).

The above entities are under common control as unanimity of all partners is required in the matters concerning their business.

There are no future investment commitments under these contracts.

In addition, the Company held 95% share in Budimex SA Ferrovial Agroman SA 2 s.c., which was established to prepare tender proposals, conclude and execute construction contracts; however, at the date of the preparation of these financial statements, the civil law partnership did not perform any construction service contract.

13. Investments in subsidiaries, associates and other entities

	31 December 2022	31 December 2021
Investments in subsidiaries	**485 513**	**375 648**
- shares	485 513	375 648
Investments in associates	**191**	**191**
- shares	191	191
Investments in other entities	**3 266**	**3 266**
- shares in other affiliates (related entities)	3 173	3 173
- shares in other entities	93	93
Total	**488 970**	**379 105**

Movements in the balance of investments in subsidiaries, associates or other entities

Shares	31 December 2022	31 December 2021
Balance at the beginning of the period	**379 105**	**1 050 876**
Increases:	**116 483**	**47 889**
- purchase / payment and increase in capital / conversion of a loan	116 483	47 889
Decreases:	**(6 618)**	**(719 660)**
- disposal of shares	-	(717 519)
- impairment write-down (investment impairment) (note 32)	(6 618)	(2 141)
Total	**488 970**	**379 105**

As at 31 December 2022, the balance of impairment write-downs on shares amounted to PLN 27 336 thousand, and as at 31 December 2021 - to PLN 20 718 thousand. The reason for the recognition of impairment write-down on the value of shares in 2022 was the net losses incurred by the companies and the lack of planned positive cash flows.

Capital increase in subsidiaries and purchase/ establishment of new subsidiaries

On 22 February 2022, Budimex acquired 100% of shares in Magnolia Energy Sp. z o. o. for the amount of PLN 22 126 thousand (of which, PLN 7 417 thousand was recognized as a deferred payment, and PLN 3 675 thousand was paid as an advance payment in 2021). Subsequently, in 2022, the company's reserve capital was increased by a further PLN 10 500 thousand.

On 1 September 2022, the German registry court registered RailBX GmbH, in which Budimex SA acquired 100% of shares. The amount of contributed issued and reserve capital, including capitalized taxes, amounted to PLN 11 348 thousand.

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.

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

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.

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.

On 24 November 2022, Budimex SA acquired 100% of shares in Fotowoltaika HIG XIV Sp. z o.o. for PLN 7 659 thousand (including PLN 75 thousand of capitalized taxes).

In addition, during 2022, an increase was made in the issued capital of Budimex Kolejnictwo SA by further PLN 23 000 thousand, in Budimex Slovakia s.r.o. - by PLN 1 568 thousand, in Budimex Construction Prague s.r.o. - by PLN 290 thousand, and in Budimex Bau GmbH - the reserve capital was increased by PLN 26 683 thousand by making a payment in the amount of PLN 21 066 thousand and converting the previously granted loan into reserve capital in the amount of PLN 5 617 thousand.

As at 31 December 2022, the balance of *Investments in subsidiary companies* comprised contributions to the issued capital of the below subsidiary companies, which were not registered in the National Court Register:

- PLN 80 thousand in ConVentures Sp. z o.o.
- PLN 2 000 thousand in Budimex PPP SA
- PLN 9 397 thousand at RailBx GmbH
- PLN 1 576 thousand in Magnolia Energy Sp. z o.o.

Shares in other non-related entities as at 31 December 2022 and 31 December 2021

Entity name	Registered office	Business activity	Carrying amount of shares
Drogowa Trasa Średnicowa SA	Katowice	Construction	52
Agencja Rozwoju Regionu Krakowskiego SA	Cracow	Services	30
Agencja Rozwoju Regionalnego SA	Bielsko-Biała	Services	6
Megagaz SA	Warsaw	Construction	1
Górnicza Spółdzielnia Mieszkaniowa	Cieszyn	Property management	-
Other	-	-	4
Total			**93**

Shares in subsidiaries, associates and other entities are recognised at historical cost reduced by impairment write-downs, except for shares in other non-related entities, which in accordance with IFRS 9 were classified as financial assets measured at fair value through profit or loss (FVPL). Due to the fact that determining the fair value of these assets is not possible (they are not listed), it was assumed that the most reasonable value for their disclosure is the book value.

As at 31 December 2022 and 31 December 2021, the Company reported no liens or encumbrances *(obciążenia o charakterze prawnorzeczowym)* or encumbrances obligating to perform a legal act *(obciążenia obligacyjne)* established on its investments in subsidiaries, associates or other entities.

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

SHARES IN AFFILIATES as at 31 December 2022

Entity name	Registered office	Business activity	Type of equity relation	Value of shares at acquisition cost	Impairment adjustment (total)	Carrying amount of shares	Percentage of issued capital held	Share in total number of votes at general meeting
FBSerwis SA	Warsaw	municipal waste management	subsidiary	296 667	-	296 667	100.00%	100.00%
Budimex Kolejnictwo SA	Warsaw	machine rental	subsidiary	86 001	(5 054)	80 947	100.00%	100.00%
Mostostal Kraków SA	Cracow	production and assembly of steel structures	subsidiary	11 156	-	11 156	100.00%	100.00%
Budimex Budownictwo Sp. z o.o.	Warsaw	construction	subsidiary	1 810	-	1 810	100.00%	100.00%
Budimex PPP SA	Warsaw	construction	subsidiary	3 395	(434)	2 961	100.00%	100.00%
Budimex Most Wschodni SA	Warsaw	construction	subsidiary	987	(484)	503	100.00%	100.00%
Budimex A Sp. z o.o.	Warsaw	construction	subsidiary	285	(240)	45	100.00%	100.00%
Budimex C Sp. z o.o.	Warsaw	construction	subsidiary	288	(244)	44	100.00%	100.00%
Budimex D Sp. z o.o.	Warsaw	construction	subsidiary	287	(243)	44	100.00%	100.00%
Budimex F Sp. z o.o.	Warsaw	solar energy generation	subsidiary	222	(178)	44	100.00%	100.00%
Budimex H Sp. z o.o.	Warsaw	construction	subsidiary	191	(146)	45	100.00%	100.00%
Budimex I Sp. z o.o.	Warsaw	construction	subsidiary	191	(148)	43	100.00%	100.00%
Budimex J Sp. z o.o.	Warsaw	construction	subsidiary	121	(77)	44	100.00%	100.00%
Budimex K Sp. z o.o.	Warsaw	construction	subsidiary	80	(31)	49	100.00%	100.00%
Budimex M Sp. z o.o.	Warsaw	construction	subsidiary	52	-	52	100.00%	100.00%
Budimex N Sp. z o.o.	Warsaw	construction	subsidiary	51	-	51	100.00%	100.00%
Budimex O Sp. z o.o.	Warsaw	construction	subsidiary	51	-	51	100.00%	100.00%
Budimex P Sp. z o.o.	Warsaw	construction	subsidiary	51	-	51	100.00%	100.00%
Budimex R Sp. z o.o.	Warsaw	construction	subsidiary	51	-	51	100.00%	100.00%
ConVentures Sp. z o.o.	Warsaw	investment funds management	subsidiary	180	(180)	-	100.00%	100.00%
Budimex Bau GmbH	Berlin	construction	subsidiary	26 803	(6 354)	20 449	100.00%	100.00%
Budimex Parking Wrocław Sp. z o.o.	Warsaw	car park management	subsidiary	2 883	-	2 883	51.00%	51.00%
Budimex Slovakia s.r.o.	Bratislava	construction	subsidiary	1 591	-	1 591	100.00%	100.00%
Budimex Construction Prague s.r.o.	Prague	construction	subsidiary	326	-	326	100.00%	100.00%
ASI 1 Conventures Sp. z o.o. SKA	Warsaw	investment funds management	subsidiary	3 000	-	3 000	100.00%	100.00%
Magnolia Energy Sp. z o.o.	Warsaw	wind energy generation	subsidiary	34 202	-	34 202	100.00%	100.00%
RailBX GmbH	Berlin	construction	subsidiary	20 745	-	20 745	100.00%	100.00%
Fotowoltaika HIG XIV Sp. z o.o.	Cracow	solar energy generation	subsidiary	7 659	-	7 659	100.00%	100.00%
Total subsidiaries				**499 326**	**(13 813)**	**485 513**		
Promos Sp. z o.o.	Cracow	industrial services	associate	191	-	191	26.31%	26.31%
Total associate				**191**	**-**	**191**		
Budimex SA Cadagua SA III s.c.	Warsaw	construction	jointly controlled	-	-	-	99.90%	99.90%
Budimex SA Cadagua SA IV s.c.	Warsaw	construction	jointly controlled	-	-	-	99.90%	99.90%
Budimex SA Cadagua SA V s.c.	Warsaw	construction	jointly controlled	-	-	-	99.90%	99.90%
Budimex SA Ferrovial Agroman SA 2 s.c.	Warsaw	construction	jointly controlled	-	-	-	95.00%	95.00%
Budimex SA Sygnity SA sp.j.	Warsaw	construction	jointly controlled	-	-	-	67.00%	67.00%
Budimex SA Ferrovial Construccion SA sp.j.	Warsaw	construction	jointly controlled	-	-	-	50.00%	50.00%
Budimex SA Tecnicas Reunidas SA - Turów s.c.	Warsaw	construction	jointly controlled	-	-	-	50.00%	50.00%
Total jointly-controlled				**-**	**-**	**-**		
Autostrada Południe SA (in liquidation) *	Warsaw	construct. and operation of motorways	other related	4 292	(1 119)	3 173	5.05%	5.05%
Inversora de Autopistas del Levante S.L.	Madrid	construct. and operation of motorways	other related	12 404	(12 404)	-	3.16%	3.16%
Total other related entities				**16 696**	**(13 523)**	**3 173**		
Total				**516 213**	**(27 336)**	**488 877**		

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

SHARES IN AFFILIATES as at 31 December 2021								
Entity name	**Registered office**	**Business activity**	**Type of equity relation**	**Value of shares at acquisition cost**	**Impairment adjustment (total)**	**Carrying amount of shares**	**Percentage of issued capital held**	**Share in total number of votes at general meeting**
FBSerwis SA	Warsaw	municipal waste management	subsidiary	296 667	-	296 667	100.00%	100.00%
Budimex Kolejnictwo SA	Warsaw	machine rental	subsidiary	63 001	(5 054)	57 947	100.00%	100.00%
Mostostal Kraków SA	Cracow	production and assembly of steel structures	subsidiary	11 156	-	11 156	100.00%	100.00%
Budimex Budownictwo Sp. z o.o.	Warsaw	construction	subsidiary	1 810	-	1 810	100.00%	100.00%
Budimex PPP SA	Warsaw	construction	subsidiary	1 395	(434)	961	100.00%	100.00%
Budimex Most Wschodni SA	Warsaw	construction	subsidiary	987	(349)	638	100.00%	100.00%
Budimex A Sp. z o.o.	Warsaw	construction	subsidiary	285	(240)	45	100.00%	100.00%
Budimex C Sp. z o.o.	Warsaw	construction	subsidiary	288	(244)	44	100.00%	100.00%
Budimex D Sp. z o.o.	Warsaw	construction	subsidiary	287	(243)	44	100.00%	100.00%
Budimex F Sp. z o.o.	Warsaw	construction	subsidiary	222	(178)	44	100.00%	100.00%
Budimex H Sp. z o.o.	Warsaw	construction	subsidiary	191	(146)	45	100.00%	100.00%
Budimex I Sp. z o.o.	Warsaw	construction	subsidiary	191	(148)	43	100.00%	100.00%
Budimex J Sp. z o.o.	Warsaw	construction	subsidiary	121	(77)	44	100.00%	100.00%
Budimex K Sp. z o.o.	Warsaw	construction	subsidiary	80	(31)	49	100.00%	100.00%
ConVentures Sp. z o.o.	Warsaw	investment funds management	subsidiary	100	(51)	49	100.00%	100.00%
Budimex Bau GmbH	Cologne	construction	subsidiary	120	-	120	100.00%	100.00%
Budimex Parking Wrocław Sp. z o.o.	Warsaw	car park management	subsidiary	2 883	-	2 883	51.00%	51.00%
Budimex Slovakia s.r.o.	Bratislava	construction	subsidiary	23	-	23	100.00%	100.00%
Budimex Construction Prague s.r.o.	Prague	construction	subsidiary	36	-	36	100.00%	100.00%
ASI 1 Conventures Sp. z o.o. SKA	Warsaw	investment funds management	subsidiary	3 000	-	3 000	100.00%	100.00%
Total subsidiaries				**382 843**	**(7 195)**	**375 648**		
Promos Sp. z o.o.	Cracow	industrial services	associate	191	-	191	26.31%	26.31%
Total associates				**191**	**-**	**191**		
Budimex SA Cadagua SA III s.c.	Warsaw	construction	jointly controlled	-	-	-	99.90%	99.90%
Budimex SA Cadagua SA IV s.c.	Warsaw	construction	jointly controlled	-	-	-	99.90%	99.90%
Budimex SA Cadagua SA V s.c.	Warsaw	construction	jointly controlled	-	-	-	99.90%	99.90%
Budimex SA Ferrovial Agroman SA 2 s.c.	Warsaw	construction	jointly controlled	-	-	-	95.00%	95.00%
Budimex SA Sygnity SA sp.j.	Warsaw	construction	jointly controlled	-	-	-	67.00%	67.00%
Budimex SA Ferrovial Construccion SA sp.j.	Warsaw	construction	jointly controlled	-	-	-	50.00%	50.00%
Budimex SA Tecnicas Reunidas SA - Turów s.c.	Warsaw	construction	jointly controlled	-	-	-	50.00%	50.00%
Total jointly-controlled				**-**	**-**	**-**		
Autostrada Południe SA (in liquidation)*	Warsaw	construct. and operation of motorways	other related	4 292	(1 119)	3 173	5.05%	5.05%
Inversora de Autopistas del Levante S.L.	Madrid	construct. and operation of motorways	other related	12 404	(12 404)	-	3.16%	3.16%
Total other related entities				**16 696**	**(13 523)**	**3 173**		
Total				**399 730**	**(20 718)**	**379 012**		

* By the resolution of 7 September 2021 of the Extraordinary General Meeting of Autostrada Południe SA, the winding up of the Company was opened.

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

14. Other financial assets/ financial liabilities

		Note	31 December 2022	31 December 2021
FINANCIAL ASSETS				
Financial assets measured at amortized cost				
Retentions for construction contracts		26	157 497	171 640
Valuation of construction contracts		24	485 840	699 701
Trade and other receivables*		15	724 728	960 012
Other financial assets (loans granted)		14.2	83 802	39 557
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*	17	2 830 825	2 379 932
Other financial assets (derivative financial instruments)	*level 2 of the fair value hierarchy according to IFRS 13*	14.1	5 413	1 170
Investments in other entities *(shares in other non-related entities)*	*level 3 of the fair value hierarchy according to IFRS 13*	13	93	93
Balance at the end of the period			**4 288 198**	**4 252 105**
FINANCIAL LIABILITIES				
Financial liabilities measured at amortised cost				
Trade and other payables**		20	1 079 568	1 006 624
Retentions for construction contracts		26	426 382	427 365
Loans and borrowings and other external sources of finance		19	123 602	125 692
Other financial liabilities (deferred interest payables)		14.3	7 417	-
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*	14.1	2 231	3 789
Balance at the end of the period			**1 639 200**	**1 563 470**

*except for accrued income, taxation, subsidy, customs duty and social security debtors, and except for prepayments
**the amount covers trade payables, un-invoiced costs, payroll, employee bonus and unused annual leave accruals

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 other entities (shares in other non-related entities) classified to Level 3 of the fair value hierarchy are measured at historical cost (see note 13).

(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) (note 32)	107 444	2 078	-	4	**109 526**
Foreign exchange gains /(losses) (note 32)	(2 355)	(3 546)	-	8 918	**3 017**
Reversal/ (recognition) of impairment write-downs (note 31, 32)	(6 618)	(16 449)	-	-	**(23 067)**
Statute-barred liabilities written-off (note 31)	-	-	-	5 048	**5 048**
Valuation gains/(losses)	4 480	(734)	(1 686)	11 048	**13 108**
Gains /(losses) on disposal/ realization of financial instruments (note 14.1)	(506)	-	314	-	**(192)**
Total	**102 445**	**(18 651)**	**(1 372)**	**25 018**	**107 440**

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) (note 32)	2 139	977	-	(1 164)	**1 952**
Foreign exchange gains /(losses) (note 32)	437	(405)	-	152	**184**
Reversal/ (recognition) of impairment write-downs (note 31, 32)	(2 141)	8 349	-	-	**6 208**
Statute-barred liabilities written-off (note 31)	-	-	-	5 517	**5 517**
Valuation gains/(losses)	(241)	(3 042)	(3 544)	3 003	**(3 824)**
Gains /(losses) on disposal/ realization of financial instruments (note 14.1)	782	-	169	-	**951**
Total	**976**	**5 879**	**(3 375)**	**7 508**	**10 988**

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

14.1 Derivative financial instruments

The Company concludes transactions involving derivative financial instruments to hedge against the exchange risk. Rules defining the use of derivative financial instruments are included in the Risk Management Policy authorized by the Management Board, as described in more detail in note 7.

Derivative financial instruments (derivatives) are measured at the reporting date at a reliably determined fair value. Fair value of derivatives is estimated using the model based, among others, on currency exchange rates (closing rates) prevailing on the reporting date and on differences in interest rates of the quotation and base currencies. The fair value of currency options is determined using banking models based on the expected market price of the underlying instrument, the strike (exercise) price, the time remaining to option exercise date and the volatility of the price of the underlying instrument.

The effects of periodic valuation of derivatives and gains and losses determined at settlement date are reported, as appropriate, under other operating income or other operating expenses for the period.

The fair value and changes in the valuation of transactions concluded by the Company and open as at 31 December 2022 and 31 December 2021 are presented in the table below:

	Financial assets arising from derivatives valuation		**Financial liabilities arising from derivatives valuation**	
	31 December 2022	**31 December 2021**	**31 December 2022**	**31 December 2021**
Currency options, of which:	2 397	-	-	-
– up to 1 year	*33*	-	-	-
– 1 – 2 years	*1 392*	-	-	-
– 2- 5 years	*972*	-	-	-
FX forward contracts, of which:	3 016	1 170	2 231	3 789
– up to 1 year	*2 511*	*1 149*	*2 015*	*2 168*
– 1 – 2 years	*358*	*21*	*43*	*1 621*
– 2- 5 years	*147*	-	*173*	-
Total	**5 413**	**1 170**	**2 231**	**3 789**

The total nominal absolute value of FX Forward as at 31 December 2022 was EUR 69 810 thousand and currency options – EUR 48 000 thousand.

The total nominal absolute value of FX Forward as at 31 December 2021 was EUR 62 320 thousand and CHF 440 thousand.

The forward sell/ buy rate for the transactions open as at 31 December 2022 ranged between EUR/PLN 4.6642-5.3815 (as at 31 December 2021, they were in the range of EUR/PLN 4.5045 – 4.7778; CHF/PLN 4.4634 – 4.5638). The rate of open currency options transactions as at 31 December 2022 was in the range of EUR/PLN 4.69-4.692.

EUR-based forward transactions open as at 31 December 2022 are to be settled within 26 to 1 034 days, while as at 31 December 2021 – within 27 to 545 days. On the other hand, EUR-based currency options open as at 31 December 2022 are to be settled within 299 to 1 034 days.

As at 31 December 2022, there were no CHF-based forward transactions, while as at 31 December 2021 there were no open currency options.

As at 31 December 2022 and 31 December 2021, the Company *did not* apply hedge accounting.

Gains/ (losses) on derivative financial instruments

The effects of periodic valuation and settlement of FX forward contracts are reported under operating activities:

	2022	**2021**
Gains/ (losses) on valuation of FX forward contracts and currency options	2 794*	(3 785)
Gains / (losses) on realisation of FX forward contracts	(192)	951
Total gains / (losses) on derivative financial instruments recognised as part of operating activities (note 31)	**2 602**	**(2 834)**

* 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)

14.2 Loans granted

Loans granted – long-term	31 December 2022	31 December 2021
Opening balance	**37 692**	**1 773**
Increases:	**71 986**	**80 576**
- loans granted	69 670	80 000
- accrued interest (note 32)	2 316	576
Decreases:	**(28 807)**	**(44 657)**
- loans repayment	(28 000)	(44 000)
- loan interest repayment	(807)	(657)
Total	**80 871**	**37 692**

Loans granted – short-term	31 December 2022	31 December 2021
Opening balance	**1 865**	**-**
Increases:	**11 384**	**1 865**
- loans granted	11 182	1 834
- accrued interest (note 32)	202	25
- foreign exchange differences	-	6
Decreases:	**(10 318)**	**-**
- loans repayment	(4 593)	-
- loan interest repayment	(136)	-
- foreign exchange differences	(8)	-
- conversion to shares (note 13)*	(5 581)	-
Total	**2 931**	**1 865**

**the PLN 36 thousand difference compared to note 13 results from exchange rate differences on the settlement of loan conversion*

As at 31 December 2022, the balance of long-term loans granted included the following items:

- loan granted to Budimex Parking Wrocław Sp. z o.o. (subsidiary of Budimex SA) based on a loan agreement of 19 December 2012. As at 31 December 2022, the value of issued loan tranches was PLN 1 677 thousand, while accrued interest amounted to PLN 44 thousand. Loan interest accrued during the year was PLN 87 thousand, of which PLN 58 thousand was repaid. Loan effective interest rate in 2022 was 10.46%, while in 2021 – 3.48%. Loan maturity date was set at 19 December 2032.
- loan granted to Budimex Kolejnictwo SA (subsidiary of Budimex SA) based on a loan agreement of 22 February 2021. During 2022, further tranches of the loan in the amount of PLN 11 100 thousand were disbursed, and Budimex Kolejnictwo SA repaid loans in the amount of PLN 16 000 thousand. As at 31 December 2022, the value of the outstanding loan was PLN 31 100 thousand. Loan interest accrued during the year was PLN 749 thousand. The interest was repaid in full in 2022. Loan effective interest rate in 2022 was 9.26%, while in 2021 - 2.38%. Loan maturity date was set at 31 December 2029.
- loan granted to Magnolia Energy Sp. z o.o. (subsidiary of Budimex SA) based on a loan agreement of 22 March 2022. During 2022, loan tranches in the amount of PLN 58 570 thousand were disbursed, while Magnolia Energy repaid PLN 12 000 thousand of loan principal. As at 31 December 2022, the value of outstanding loan principal amounted to PLN 46 570 thousand, and the value of loan interest accrued during the year amounted to PLN 1 480 thousand. Loan effective interest rate in 2022 was 7.92%. Loan maturity date was set at 22 March 2027.

As at 31 December 2022, the balance of short-term loans granted included the following items:

- two loans granted to Budimex F Sp. z o.o. (subsidiary of Budimex SA) based on a loan agreement of 1 February 2022 and 1 June 2022, respectively. During 2022, loan tranches in the amount of PLN 1 910 thousand were disbursed. Loan interest accrued during the year was PLN 77 thousand As at 31 December 2022, loan principal and interest accrued in 2022 remained unpaid. Both loans maturity date was set at 31 May 2023, and their effective interest rate in 2022 was 6.99% and 9.78%, respectively.
- loan granted to Budimex Slovakia s.r.o. (a subsidiary of Budimex SA) based on a loan agreement of 26 June 2022. During 2022, loan tranches in the amount of EUR 100 thousand (PLN 468 thousand) were disbursed. Loan interest accrued in 2022 amounted to PLN 6 thousand. Loan effective interest rate in 2022 was 2.79%. Loan maturity date was set at 31 May 2023.
- loan granted to Fotowoltaika HIG XIV Sp. z o.o. (subsidiary of Budimex SA) based on a loan agreement of 24 November 2022. During 2022, loan tranches in the amount of PLN 464 thousand were disbursed. Loan interest accrued in 2022 amounted to PLN 7 thousand. Loan effective interest rate in 2022 was 11.14%. Loan maturity date was set at 31 December 2023.

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

In February 2022, Budimex SA granted its subsidiary Magnolia Energy Sp. z o.o. a short-term loan in the amount of PLN 4 593 thousand, on which interest in the amount of PLN 22 thousand was accrued. Loan principal and interest were repaid in March 2022.

In November 2022, the principal of the loan granted to Budimex Bau GmbH (subsidiary of Budimex SA) in the total amount of PLN 5 581 thousand was converted into the issued capital of this company. The loan was granted based on a loan agreement of 10 August 2021, and during 2022 loan principal in the amount of PLN 3 747 thousand was issued and PLN 90 thousand of loan interest was accrued. In 2022, Budimex SA received repayment of PLN 114 thousand in loan interest.

The fair value of granted loans approximates their carrying amount.

Loans granted were classified as financial assets measured at amortized cost.

14.3 Liabilities due to deferred payment for shares

As at 31 December 2022, Budimex SA reported liabilities due to deferred payment for shares in Magnolia Energy Sp. z o.o. As at 31 December 2022, this liability amounted to PLN 7 417 thousand, of which PLN 1 012 thousand was recognized as short-term other financial liabilities and PLN 6 405 thousand as long-term other financial liabilities. The liabilities were measured at amortized cost. The final settlement of the price will depend on the actual levels of electricity produced and sold by the company and the settlement of the company's net debt.

15. Trade and other receivables

Long-term trade and other receivables	31 December 2022	31 December 2021
Prepayments and accruals	24 313	27 462
Total receivables, net	**24 313**	**27 462**
Impairment write-downs	-	-
Total receivables, gross	**24 313**	**27 462**

Short-term trade and other receivables	31 December 2022	31 December 2021
Trade receivables	705 471	943 796
Advanced payments made	50 052	29 692
Prepayments and accruals	26 810	25 566
Taxation and social security debtors	-	14 084
Dividend receivables	255	-
Other receivables	19 002	16 216
Total receivables, net	**801 590**	**1 029 354**
Impairment write-downs	91 096	86 180
Total receivables, gross	**892 686**	**1 115 534**

No credit risk concentration in respect of trade receivables was identified due to the fact that the main customers of the Company are government administration offices and 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 464 238 thousand and accounted for 65.80% of the total value of trade receivables:

	balance	% share
Contractor 1	172 727	24.48%
Contractor 2	117 295	16.63%
Contractor 3	79 652	11.29%
Contractor 4	79 467	11.26%
Contractor 5	15 097	2.14%
Other	241 233	34.20%
Total trade receivables	**705 471**	**100.00%**

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

Trade receivables from the 5 contractors with the largest balances as at 31 December 2021 amounted to a total of PLN 694 085 thousand and accounted for 73.54% of the total value of trade receivables:

	balance	% share
Contractor 1	351 439	37.24%
Contractor 2	224 738	23.81%
Contractor 3	58 619	6.21%
Contractor 4	32 175	3.41%
Contractor 5	27 114	2.87%
Other	249 711	26.46%
Total trade receivables	**943 796**	**100.00%**

Prepayments mainly include guarantee and insurance costs paid in advance.

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.

Change in impairment write-downs against receivables	31 December 2022	31 December 2021
Impairment write-downs against receivables – opening balance	**86 180**	**98 727**
Increases:	**12 683**	**5 065**
- doubtful and overdue receivables (note 31)	12 665	5 065
- valuation of impairment balances at a foreign operation	18	-
Decreases:	**(7 767)**	**(17 612)**
- debtor repayments (note 31)	(2 690)	(13 611)
- write-off of impaired receivables	(5 077)	(3 944)
- valuation of impairment balances at a foreign operation	-	(57)
Impairment write-downs against receivables – closing balance	**91 096**	**86 180**

Impairment write-downs against trade 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 for receivables

Budimex SA analyses credit risk for trade receivables, 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 approx. 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 Company 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 Budimex SA 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, but due to 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 re-valuation at the time of origination based on expected cash flows and held securities (guarantees and retentions to be set-off against), they also do not have any significant impact on risk assessments in the future.

Given the specific character of construction contracts, the receivables considered by Budimex SA as doubtful debts (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 to the same contractor is not possible).

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

The cost of receivables impairment write-down is analyzed over 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 other receivables in the amount of PLN 32 842 thousand were classified to the category of receivables whose credit risk significantly increased.

As at 31 December 2022, the total impairment write-down in the amount of expected credit losses was PLN 91 096 thousand (PLN 86 180 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	335 432	439 297
- 1 – 3 months	204 146	402 497
- 3 - 6 months	-	-
- 6 months – 1 year	-	39 113
- above 1 year	-	-
- overdue trade receivables	224 147	116 226
Trade receivables, gross	**763 725**	**997 133**
Impairment write-downs	58 254	53 337
Trade receivables, net	**705 471**	**943 796**

The Company's exposure to credit risk in relation to trade receivables 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*	1.99%	0.13%	0.00%	0.04%	65.63%	56.45%	
Gross value of risk-exposed receivables (gross value at risk)	539 578	105 666	21 930	12 971	2 034	81 546	**763 725**
ECL allowance	10 744	138	-	5	1 335	46 032	**58 254**

	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%	2.32%	19.58%	6.83%	3.52%	70.29%	
Gross value of risk-exposed receivables (gross value at risk)	880 907	9 919	4 745	6 945	24 013	70 604	**997 133**
ECL allowance	1 233	230	929	474	845	49 626	**53 337**

**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.

16. Inventories

	31 December 2022	31 December 2021
Raw materials	681 957	403 167
Semi-finished goods and work in progress	54	358
Inventories net value – closing balance	**682 011**	**403 525**
Inventory impairment write-downs – closing balance	7 480	7 480
Inventories gross value – closing balance	**689 491**	**411 005**

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

Inventory impairment write-downs

	2022	2021
Inventory impairment write-downs – opening balance	**7 480**	**7 075**
Charged to other operating expenses (note 31)	-	652
Reversal of the write-down - other operating income (note 31)	-	(247)
Inventory impairment write-downs – closing balance	**7 480**	**7 480**

As at 31 December 2022 and 31 December 2021, there were *no* liens or encumbrances *(obciążenia o charakterze prawnorzeczowym)* or encumbrances obligating to perform a legal act *(obciążenia obligacyjne)* established on the Company's inventories. The Company also *did not* have any interest capitalised in inventories.

As at 31 December 2022 and 31 December 2021, the expected period of all inventory stocks utilization did not exceed 12 months.

17. Cash and cash equivalents

	31 December 2022	31 December 2021
Cash on hand	3	5
Cash at bank	2 814 852	2 378 972
– current accounts	102 672	242 945
– overnight (one-day) deposits	295	527
– other deposits	2 711 885	2 135 500
Other cash equivalents (interest)	15 970	955
Total cash and cash equivalents	**2 830 825**	**2 379 932**
Cash and cash equivalents of restricted use	(9 010)	(22 349)
Cash recognised in the statement of cash flows	**2 821 815**	**2 357 583**

The balance of cash and cash equivalents of restricted use comprises mainly cash of consortium partners in the part belonging to co-consortium members and the cash held on VAT accounts under split payment.

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 period of 5-99 days with an average effective interest rate as at 31 December 2022 of 7.08% per annum for PLN-based deposits (as at 31 December 2021: 0.91% p.a. for PLN-based deposits) and for EUR-based deposits - with an average effective interest rate of 1.40% p.a. as at 31 December 2022. The average maturity period for these deposits is 56 days (31 December 2021: 50 days).

In 2022, the Company 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)

18. Equity

The issued capital of the Company consists of 25 530 098 shares with a total value of PLN 127 650 thousand. The structure of the issued capital of the 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 in PLN 5. The Company does not hold treasury shares. No shares were reserved for the purpose of share issuance related to the exercise of options or realization of sale contracts.

At the date of transition to IFRSs, the Company adjusted the value of issued capital and of share premium for the period, in which Polish economy was hyperinflationary. The effects of the restatement and reconciliation of balances shown in the books of account and corporate records of the Company as at 31 December 2022 and 31 December 2021 and 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 National Court Register (KRS)	**127 650**	**127 650**
Restatement of equity due to hyperinflation	18 198	18 198
Value reported in the financial statements	**145 848**	**145 848**

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

The value by which the issued capital and share premium were adjusted for hyperinflation was recognised under „accumulated profits/ (losses) from previous years" in equity.

Other reserves	31 December 2022	31 December 2021
Created in accordance with articles of association	42 550	42 550
Created in accordance with articles of association in excess of minimum statutory amounts – from revaluation	4 241	4 241
Actuarial gains/ (losses)	2 181	(438)
Share-based payments (note 36)	7 171	7 171
Other	1 529	1 529
Total	**57 672**	**55 053**

Retained earnings/ (losses)	31 December 2022	31 December 2021
Retained earnings representing reserve capital	161 712	161 668
Result for the current year	459 539	979 633
Interim dividend payment (note 34)	-	(380 398)
Total	**621 251**	**760 903**

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

19. Loans and borrowings and other external sources of finance

	31 December 2022	31 December 2021
Non-current		
Lease liabilities	74 274	71 278
	74 274	**71 278**
Current		
Lease liabilities	49 328	54 414
	49 328	**54 414**
Total	**123 602**	**125 692**

19.1. Bank loans and borrowings

As at 31 December 2022 and 31 December 2021, the Company had concluded overdraft facility agreements with banks, which at the reporting date were not utilised.

In the period covered by these financial statements, no instances were identified of default on principal or interest payment or non-compliance with other terms and conditions of loans and borrowings. The Company did not violate or renegotiate the terms and conditions of the loans or borrowings prior to the authorization of these financial statements.

19.2. Lease liabilities

The Company 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 1 200 months (perpetual usufruct). After the completion of the original lease term and after discharging its liabilities, the Company will have the right to acquire some of the leased assets for the price equating their residual value. The contractual liabilities are partly secured by a blank promissory note issued by the Company together with a written authorisation for its drawing.

Ageing analysis of lease liabilities

31 December 2022	Present value of lease payments	Undiscounted contractual cash flows
– less than 1 year	49 328	52 254
– 1 – 3 years	40 206	42 287
– 3 – 5 years	11 143	11 781
– above 5 years	22 925	26 170
	123 602	**132 492**

31 December 2021	Present value of lease payments	Undiscounted contractual cash flows
– less than 1 year	54 414	57 179
– 1 – 3 years	58 008	59 667
– 3 – 5 years	10 877	11 143
– above 5 years	2 393	5 342
	125 692	**133 331**

The Company has the option of early repayment of part of its lease liabilities. The underlying lease contracts do not provide for penalties for early repayment of these liabilities.

19.3. Interest rate risk

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
Lease liabilities	7.00%-8.53%	0.81%	1.85%-3.41%	0.84%

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

20. Trade and other payables

	31 December 2022	31 December 2021
Trade liabilities	141 442	140 754
Un-invoiced costs	577 650	546 501
Taxation and social security (ZUS) creditors	147 199	90 017
Payroll	6 676	6 709
Accrued expenses	413 497	372 258
Other liabilities	2 927	1 380
Total liabilities	**1 289 391**	**1 157 619**
Accrued expenses	**31 December 2022**	**31 December 2021**
Cost of unpaid bonus	292 327	260 849
Cost of unused annual leave	61 473	51 811
Costs of realised construction contracts completion	56 254	55 587
Other	3 443	4 011
Total	**413 497**	**372 258**

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

Financial liabilities comprise trade liabilities, un-invoiced costs, payroll and accrued expenses relating to unused annul leave and employee bonus.

Non-financial liabilities comprise taxation and social security creditors, accrued expenses relating to costs of construction contracts completion and other liabilities.

21. Income tax

Deferred tax assets	**31 December 2022**	**31 December 2021**
– to be realised after 12 months	204 643	202 089
– to be realised within 12 months	591 333	595 395
Total	**795 976**	**797 484**
Offsetting	(140 320)	(170 680)
Deferred tax assets, after set-off	**655 656**	**626 804**

Deferred tax liabilities	**31 December 2022**	**31 December 2021**
– to be utilised after 12 months	23 736	21 690
– to be utilised within 12 months	116 584	148 990
Total	**140 320**	**170 680**
Offsetting	(140 320)	(170 680)
Deferred tax liabilities, after set-off	**-**	**-**

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

	2022	2021
Balance at the beginning of the year	**626 804**	**497 680**
Credit/ (charge) to financial result	29 467	130 311
Credit/ (charge) to other comprehensive income	(615)	(1 187)
Balance at the end of the year	**655 656**	**626 804**

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% tax rate, and for temporary differences in the case of taxable income abroad – based on the tax rates of the country being the primary economic environment, in which the Company operates and pays income tax.

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

As at 31 December 2022, 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 175 702 thousand (the value of deferred tax asset - PLN 33 383 thousand) and related to impairment write-downs against receivables and provisions on a selected construction contract. The reason for non-recognition of a deferred tax asset is that the probability of non-recovery of debts that exists under Polish tax law is rather remote as well as the inability to recognise these provisions as tax deductible costs. Deductible temporary differences and carry-forward of unused tax losses will expire in 2023.

As at 31 December 2021, deductible temporary differences for which no deferred tax asset was recognised in the statement of financial position amounted to PLN 238 555 thousand (the value of deferred tax asset amounted to PLN 45 325 thousand) and related to impairment write-downs against receivables and tax losses in Lithuania.

	2022	**2021**
Current tax	154 439	294 927
Deferred tax	(29 467)	(130 311)
Adjustments to prior periods current income tax	(40 569)*	(436)
Tax expense/ (tax income)	**84 403**	**164 180**

** adjustment to current income tax in 2022 results from differences in income tax calculation in Poland identified between the date of the preparation of the financial statements for 2021 and the date of submission of tax return (PLN -6 292 thousand); from the application of the MLI Convention to the tax loss incurred in Lithuania in 2020 (PLN -34 548 thousand) and from income tax adjustments in Germany for the years 2019-2021 (+PLN 271 thousand).*

Current tax	**2022**	**2021**
Gross profit/ (loss)	543 942	1 143 813
Difference between accounting gross profit/ (loss) and taxable base (by title):	240 429	398 824
– *permanent differences between gross profit and taxable income*	*(4 679)*	*(200 516)**
– *temporary differences between gross profit and taxable income*	*264 403*	*681 615*
– *tax losses (profits) of foreign operations and losses from separate revenue sources*	*(19 295)*	*(82 275)*
Taxable base	784 371	1 542 637
Income tax at binding rate of 19%	149 030	293 101
Income tax on profits earned abroad	3 120	3 189
Income tax on industrial and commercial business operations in Germany	2 439	1 934
Tax increases, waivers, exemptions, deductions and reductions	(150)	(3 297)
Current tax	**154 439**	**294 927**

**permanent differences included primarily received dividends*

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

	2022	**2021**
Pre-tax profit/ (loss)	**543 942**	**1 143 813**
Tax calculated using domestic tax rates	103 349	217 324
Differences in taxation of revenues of foreign operations	(626)	(3 125)
Adjustments to prior periods current income tax	(40 569)	(436)
Tax effects of permanent differences between gross profit and taxable income	(889)	(38 098)
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	25 750	-
Tax expense/ (tax income) calculated with respect to industrial and commercial business in Germany	2 439	1 934
Utilization of unrecognized tax losses or prior period deductible temporary differences	(4 901)	(10 122)
Other	(150)	(3 297)
Tax expense/ (tax income)	**84 403**	**164 180**
Effective tax rate	*15.52%*	*14.35%*

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

Movements in the balance of deferred tax liability (by tittle) (before set-off), is presented as follows:

	Deferred tax liability as at 1 January 2021	Recognition/ (utilization) of deferred tax liability through profit or loss	Recognition/ (utilization) of deferred tax liability through other comprehensive income	Other changes*	Deferred tax liability as at 31 December 2021	Recognition/ (utilization) of deferred tax liability through profit or loss	Recognition/ (utilization) of deferred tax liability through other comprehensive income	Other changes	Deferred tax liability as at 31 December 2022
Valuation of construction contracts	110 243	22 700	-	-	132 943	(40 633)	-	-	92 310
Valuation of forward transactions	265	(43)	-	-	222	235	-	-	457
Discount of retentions for construction contracts	4 052	571	-	-	4 623	2 099	-	-	6 722
Receivables – accrued interest	-	(2 826)	-	3 014	188	3 153	-	-	3 341
Leased assets	35 187	(7 192)	-	-	27 995	(406)	-	-	27 589
Other	17 545	(9 822)	-	(3 014)	4 709	5 192	-	-	9 901
Total	**167 292**	**3 388**	**-**	**-**	**170 680**	**(30 360)**	**-**	**-**	**140 320**
Offsetting	(167 292)				(170 680)				(140 320)
After set-off (reported in the statement of financial position)	**-**				**-**				**-**

** in 2021, the Company 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 assets (by tittle) (before set-off), is presented as follows:

	Deferred tax assets as at 1 January 2021	Recognition/ (utilization) of deferred tax assets through profit or loss	Recognition/ (utilization) of deferred tax assets through other comprehensive income	Other changes*	Deferred tax assets as at 31 December 2021	Recognition/ (utilization) of deferred tax assets through profit or loss	Recognition/ (utilization) of deferred tax assets through other comprehensive income	Other changes	Deferred tax assets as at 31 December 2022
Valuation of construction contracts	240 961	55 655	-	-	296 616	(18 863)	-	-	277 753
Provision for contract losses	53 151	43 791	-	-	96 942	53 400	-	-	150 342
Contract costs related to accrued income	90 162	23 225	-	-	113 387	(33 119)	-	-	80 268
Liabilities – un-invoiced costs	47 253	(12 541)	-	4 855	39 567	(1 775)	-	-	37 792
Provision for warranty repairs	104 471	5 502	-	-	109 973	3 189	-	-	113 162
Other provisions for liabilities	60 782	19 620	-	(50 286)	30 116	(11 910)	-	(39)	18 167
Receivables – impairment write-downs	6 542	(1 109)	-	-	5 433	1 168	-	-	6 601
Settlements for employee bonuses	43 840	4 922	-	-	48 762	6 109	-	-	54 871
Settlements for unused annual leave	8 349	521	-	-	8 870	2 343	-	-	11 213
Discount of retentions for construction contracts	-	578	-	445	1 023	139	-	-	1 162
Valuation of forward transactions	-	676	-	44	720	(296)	-	-	424
Liabilities due to retirement benefits and similar obligations	2 999	284	(1 187)	-	2 096	191	(615)	-	1 672
Impairment write-down against long-term financial assets	-	397	-	2 579	2 976	-	-	-	2 976
Lease liabilities	-	(8 961)	-	32 379	23 418	(492)	-	-	22 926
Completion costs of realised construction contracts	-	2 146	-	7 895	10 041	111	-	-	10 152
Other	6 462	(1 007)	-	2 089	7 544	(1 088)	-	39	6 495
Total	**664 972**	**133 699**	**(1 187)**	**-**	**797 484**	**(893)**	**(615)**	**-**	**795 976**
Offsetting	(167 292)				(170 680)				(140 320)
After set-off (reported in the statement of financial position)	**497 680**				**626 804**				**655 656**

** * in 2021, the Company 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)

22. Retirement benefits and similar obligations

As at 31 December 2022 and 31 December 2021, all employees of the Company benefited from the retirement-pension benefits. 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 of award calculation as of the date of entitlement (i.e. at the date the right to receive benefit payment vests) and the corresponding benefit multiplier, increasing with the seniority/years of service of the employee concerned.

Usually, the obligation to pay the retirement and pension 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 the Company. 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. Therefore, if the retirement age is raised, the present value of obligations under retirement benefits will decrease.

Liabilities due to employee benefits recognised in the statement of financial position:

	31 December 2022	31 December 2021
Retirement/ pension benefits, of which:	**8 803**	**11 031**
– present value of the obligation at the reporting date	8 803	11 031
Total retirement benefits and similar obligations	**8 803**	**11 031**
of which:		
– long-term portion	*7 564*	*9 624*
– short-term portion	*1 239*	*1 407*

Main actuarial assumptions (the table below shows the range of percentage rates adopted by actuary):

	31 December 2022	31 December 2021
Discount rate	5.70% – 7.25%	2.92% – 3.08%
Forecast salary growth rate	5.00% – 9.00%	5.50% – 7.50%

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.

Changes 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	**11 031**	**15 781**
Interest expense	298	39
Service costs	1 098	1 997
Benefits paid	(390)	(539)
Actuarial (gains)/losses, of which arising from:	(3 234)	(6 247)
- change in assumptions	*(3 601)*	*(5 585)*
- other	*367*	*(662)*
Present value of liability at the end of the period	**8 803**	**11 031**

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

Costs of future employee benefits are presented in the table below:

	2022	2021
Service costs	1 098	1 997
Interest expense	298	39
Costs recognised in the profit and loss account (note 30)	**1 396**	**2 036**
Of which, employee benefits recognised in the profit and loss account under:		
– cost of finished goods, goods for resale and raw materials sold	*1 022*	*1 485*
– administrative expenses	*374*	*551*
Actuarial (gains)/ losses to be recognised in the period	(3 234)	(6 247)
Actuarial (gains)/ losses recognised in other comprehensive income	**(3 234)**	**(6 247)**

Sensitivity analysis

Significant actuarial assumptions applied to calculate liabilities 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 liabilities from retirement and similar obligations by PLN 755 thousand, while a decrease in the assumed discount rate by 1 percentage point would bring about an increase in said liability by PLN 888 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 liabilities from retirement and similar obligations by PLN 978 thousand, while a decrease in the assumed salary growth rate by 1 percentage point would bring about a decrease in liability under retirement and similar benefits by PLN 843 thousand.

Analysis of sensitivity to staff turnover

An increase in the assumed staff turnover by 1 percentage point would result in a decrease in liabilities from retirement and similar obligations by PLN 344 thousand, while a decrease in the assumed staff turnover by 1 percentage point would bring about an increase in said liability by PLN 376 thousand.

The above sensitivity analysis may not be representative for the effective movements in liability from retirement benefits and similar obligations. It is also rather unlikely that the changes in individual assumptions occur separately from others, as some assumptions may be correlated.

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

23. Provisions for liabilities and other charges

Long-term provisions for liabilities and other charges	**31 December 2022**	**31 December 2021**
Warranty repairs		
balance at the beginning of the period	**538 895**	**507 774**
recognition	88 003	125 591
reversal	(21 459)	(71 383)
transfer to short-term items	(59 273)	(23 087)
balance at the end of the period	**546 166**	**538 895**
Other		
balance at the beginning of the period	**7 899**	**-**
recognition*	-	7 899*
balance at the end of the period	**7 899**	**7 899**
Other provisions for liabilities, total	**554 065**	**546 794**

** including PLN 7 899 thousand recognised as a reduction in profits on the sale of subsidiaries*

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

Short-term provisions for liabilities and other charges	31 December 2022	31 December 2021
Litigation proceedings		
balance at the beginning of the period	**31 477**	**31 489**
- recognition (note 31)	9 434	1 073
- utilisation	(663)	-
- reversal (note 31)	(122)	(1 085)
- other	2	-
balance at the end of the period	**40 128**	**31 477**
Warranty repairs		
balance at the beginning of the period	**58 213**	**60 694**
- transfer from long-term items	59 273	23 087
- utilization	(45 962)	(25 568)
balance at the end of the period	**71 524**	**58 213**
Provision for penalties/ sanctions		
balance at the beginning of the period	**166 712**	**124 489**
- recognition	26 424[1]	128 370[2]
- utilisation	(1 676)	(992)
- reversal	(19 086)[3]	(85 155)[4]
balance at the end of the period	**172 374**	**166 712**
Other		
balance at the beginning of the period	**5 983**	**-**
- recognition	-	6 905[5]
- reversal	-	(922)[6]
balance at the end of the period	**5 983**	**5 983**
Other provisions for liabilities, total	**290 009**	**262 385**

1) incl. PLN 25 143 thousand recognised as a decrease in revenues from the sale of products and services as well as goods and materials and PLN 1 281 thousand included in other operating expenses (note 31)
2) PLN 128 370 thousand recognised as a decrease in revenues from the sale of products and services as well as goods and materials
3) incl. PLN 19 010 thousand recognised as an increase in revenues from the sale of products and services as well as goods for resale and materials and PLN 76 thousand recognized in other operating income (note 31)
4) incl. PLN 84 817 thousand recognised as an increase in revenues from the sale of products and services as well as goods for resale and materials and PLN 338 thousand recognized in other operating income (note 31)
5) PLN 6 905 thousand recognised as a reduction in profit on the sale of subsidiary companies
6) PLN 922 thousand recognised as an increase in profit on the sale of subsidiary companies

The creation/ (reversal) of provisions for litigation was recognised under other operating expenses (note 31), while creation/ (reversal) of provisions for warranty repairs – under operating expenses.

Other provisions relate to estimated costs related to the sale of shares in Budimex Nieruchomości Sp. z o.o.

The most significant court cases, to which the Company is a party have been described in point 5.6 of the Directors' Report on activities for 2022.

24. Construction contracts

The table below presents data relating to construction contracts valued by the Company in accordance with the stage of completion method (expenditure- or result-based method):

Selected financial data:

	31 December 2022	31 December 2021
Assets		
– valuation of construction contracts (note 28)	485 840	699 701
Liabilities		
– valuation of construction contracts (note 28)	1 461 856	1 563 706
– provision for construction contract losses	791 275	510 843
– advance payments received for construction contracts in progress (note 25)	546 350	274 463

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

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

25. Deferred income

Deferred income comprises:

	31 December 2022	31 December 2021
Advance payments received for construction contracts in progress (note 24)	546 350	274 463
Other	4 874	5 061
Total	**551 224**	**279 524**

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 during the Company's normal operating cycle.

26. Retentions for construction contracts

	31 December 2022	31 December 2021
Retained by customers – to be returned after 12 months	80 269	82 482
Retained by customers – to be returned within 12 months	77 228	89 158
Total retentions for construction contracts retained by customers	**157 497**	**171 640**
Received from suppliers – to be returned after 12 months	221 109	227 318
Received from suppliers – to be returned within 12 months	205 273	200 047
Total retentions for construction contracts received from suppliers	**426 382**	**427 365**

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 Company in individual periods. The amounts of discount reduce, as appropriate, the nominal value of receivables and liabilities from retentions for construction contracts. 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	6 114	5 380
Discount of long-term retentions for construction contracts received from suppliers	35 380	24 332

Discount recognised in the profit and loss account:

	2022	2021
Decrease in sales revenue	(2 930)	(1 808)
Reduction in the cost of services sold	20 756	8 619
Total adjustment to gross margin	**17 826**	**6 811**
Adjustment to finance income / (finance costs) (note 32)	(7 512)	(6 850)
Deferred tax on the above adjustments	(1 960)	7
Net effect on the profit and loss account	**8 354**	**(32)**

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

Movements in the balance of impairment write-downs against retentions for construction contracts retained by customers	31 December 2022	31 December 2021
balance at the beginning of the period	**3 404**	**3 343**
Increases:	**8 066**	**1 678**
- doubtful and overdue receivables (note 31)	8 066	1 678
Decreases:	**(1 849)**	**(1 617)**
- repayment of receivables by debtors (note 31)	(1 592)	(1 481)
- receivables written-off	(257)	(136)
Balance of impairment write-downs against retentions for construction contracts at the end of the period	**9 621**	**3 404**

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

27. Revenue from contracts with customers

The Company operates in one business segment only i.e. in the construction segment.

Revenues from the sale of finished goods and services, and goods for resale and raw materials, by type of good or service, were as follows:

Type of service/ goods	2022	2021
Sales of construction-assembly work	7 450 660	6 997 231
Sales of other services	51 103	34 232
Sales of goods for resale and raw materials	6 174	10 210
Total sales of finished goods and services, goods for resale and raw materials	**7 507 937**	**7 041 673**

Revenues from the sale of finished goods and services, and goods for resale and raw materials, by geographical area, were as follows:

Country	2022	2021
Poland	7 267 527	6 757 568
Germany	221 329	193 946
Other EU countries	19 081	90 159
Total sales of finished goods and services, goods for resale and raw materials	**7 507 937**	**7 041 673**

Revenues from the sale of finished goods and services, and goods for resale and raw materials, by type of constructed objects, were as follows:

Type of constructed objects	2022	2021
Land-engineering facilities	3 019 339	2 705 586
Railway	1 876 617	1 926 428
Cubic objects (building structures), of which:	2 554 704	2 365 217
- non-housing	*2 325 883*	*1 870 587*
- housing	*228 821*	*494 630*
Other	57 277	44 442
Total sales of finished goods and services, goods for resale and raw materials	**7 507 937**	**7 041 673**

28. 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 in monthly periods 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 the Company are usually set at 30 days, with the proviso that for certain construction contracts the Company obtains 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.

In 2022, no revenues were recognised from contracts with customers, under which performance obligation to deliver a good or service was satisfied in previous reporting periods.

In 2022, no revenue adjustments were recognised that could have impact on the assets or liabilities arising from contracts with customers, and which would result from a change in contract progress measurement or contract change.

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

	1 January 2022	Change in contracts valuation	Revenue recognised in 2022 and included in contract liabilities as at 31 December 2021	Change for the period, in which right to contract consideration becomes unconditional	31 December 2022
Valuation of construction contracts	699 701	485 840	-	(699 701)	485 840
Assets from contracts with customers	**699 701**	**485 840**	**-**	**(699 701)**	**485 840**
Valuation of construction contracts	1 563 706	353 659	(455 509)	-	1 461 856
Liabilities from contracts with customers	**1 563 706**	**353 659**	**(455 509)**	**-**	**1 461 856**

	1 January 2021	Change in contracts valuation	Revenue recognised in 2021 and included in contract liabilities as at 31 December 2020	Change for the period, in which right to contract consideration becomes unconditional	31 December 2021
Valuation of construction contracts	580 227	699 701	-	(580 227)	699 701
Assets from contracts with customers	**580 227**	**699 701**	**-**	**(580 227)**	**699 701**
Valuation of construction contracts	1 307 913	709 578	(453 785)	-	1 563 706
Liabilities from contracts with customers	**1 307 913**	**709 578**	**(453 785)**	**-**	**1 563 706**

Outstanding performance obligations under contracts with customers

Total amount of transaction price allocated to performance obligations that remained unfulfilled (or partially unfulfilled) at the end of the reporting period, to be realised within:	31 December 2022	31 December 2021
- up to 1 year	7 175 113	7 409 298
- above 1 year	5 691 029	5 274 469
Total	**12 866 142**	**12 683 767**

29. Costs by type

	2022	2021
Depreciation/ amortization of which:	84 963	84 680
– property, plant and equipment (note 9)	*76 826*	*77 552*
– intangible assets (note 11)	*8 137*	*7 128*
Employee benefits (note 30)	1 161 047	1 030 902
Materials and energy	1 711 162	1 495 408
External services	3 713 575	3 400 722
Taxes and charges	10 189	8 065
Advertising and representation	6 558	4 743
Non-life (property) and life insurance	25 685	23 503
Change in the balance of provision for losses on construction contracts (note 24)	280 432	200 411
Other costs by type	65 770	427 275
Selling expenses (negative value)	**(13 396)**	**(12 012)**
Administrative expenses (negative value)	**(257 837)**	**(228 123)**
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 finished goods and services sold	**6 788 148**	**6 435 574**
Cost of goods for resale and raw materials sold	1 417	1 625
Cost of finished goods and services, goods for resale and raw materials sold	**6 789 565**	**6 437 199**

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

30. Cost of employee benefits

	2022	2021
Cost of salaries and wages, of which:	**973 035**	**861 650**
– retirement and pension benefits (note 22)	*1 396*	*2 036*
– share-based payments (note 36)	*1 142*	*879*
– termination benefits	*4 705*	*5 381*
Cost of social security surcharges and other allowances, of which:	**188 012**	**169 252**
– social security	*145 644*	*131 334*
Total cost of employee benefits recognised in costs by type (note 29)	**1 161 047**	**1 030 902**

31. Other operating income and other operating expenses

Other operating income	2022	2021
Gains on the sale of non-financial long-term assets	5 050	9 545
Reversal of impairment write-downs, of which against:	4 282	15 339
– receivables (following repayment of receivables by debtors) (note 15, 26)	*4 282*	*15 092*
– inventories (as a result of sale) (note 16)	-	*247*
Reversal of provisions, of which for:	198	1 423
– litigation (note 23)	*122*	*1 085*
– penalties and sanctions (note 23)	*76*	*338*
Compensations awarded	35 068	39 886
Write-off of past due liabilities	5 048	5 517
Gains on derivative financial instruments (note 14.1)	2 602	-
Subsidies	255	1 262
Other	332	1 110
Total	**52 835**	**74 082**

Other operating expenses	2022	2021
Recognition of impairment write-downs, of which against:	20 731	7 395
– receivables (note 15, 26)	*20 731*	*6 743*
– inventories (note 16)	-	*652*
Creation of provisions, of which for:	10 715	1 073
– litigation (note 23)	*9 434*	*1 073*
– penalties and sanctions (note 23)	*1 281*	-
Compensations and liquidated damages paid	2 207	4 308
Court charges and executions, costs of legal proceedings	2 537	2 481
Donations given	1 945	1 681
Loss on derivative financial instruments (note 14.1)	-	2 834
Other	2 212	56
Total	**40 347**	**19 828**

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

32. Finance income and finance costs

Finance income	**2022**	**2021**
Interest earned on financial instruments, of which:	109 962	2 740
– on bank deposits and cash at bank	*107 444*	*2 139*
– on loans granted (note 14.2)	*2 518*	*601*
Other interest income, of which:	4 673	3 094
– interest on received discount and penalty interest	*4 673*	*3 094*
Gains on disposal of shares in Budimex Nieruchomości Sp. z o.o.	-	568 291
Dividends and shares in profits	10 604	190 515
Foreign exchange gains	3 017	184
Other	23	-
Total	**128 279**	**764 824**

Finance costs	**2022**	**2021**
Interest expense in respect of financial instruments, of which:	4 669	2 626
– interest on lease contracts	*4 669*	*2 626*
Other interest expense, of which:	711	1 577
– default interest paid to suppliers and interest on discounts	*440*	*1 256*
– other interest	*271*	*321*
Impairment of shares in affiliates (note 13)	6 618	2 141
Discount on retentions for construction contracts (note 26)	7 512	6 850
Cost of bank commissions and guarantees	24 294	26 405
Other	160	5
Total	**43 964**	**39 604**

33. Earnings/ (loss) per share

Basic earnings/ (loss) per share

Basic earnings/ (loss) per share are calculated as the quotient of the net profit/ (loss) and the weighted average number of ordinary shares outstanding during the year (note 18).

	2022	**2021**
Net profit/ (loss)	459 539	979 633
Weighted average number of ordinary shares	25 530 098	25 530 098
Basic earnings / (loss) per share (in PLN per share)	**18.00**	**38.37**

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.

34. 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.

Until the date of preparation of these financial statements for the financial year ended 31 December 2022, the Management Board of Budimex SA did not adopt any resolution on the recommendation to distribute the profit for 2022.

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

35. Statement of Cash Flows

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

	2022	2021
Change in provisions and liabilities arising from retirement benefits and similar obligations presented in the statement of financial statement	**32 667**	**79 983**
Actuarial gains and losses	3 234	6 247
Provisions included in the profit/ loss on investing activities	-	(13 882)
Change in provisions and liabilities arising from retirement benefits and similar obligations presented in the cash flow statement	**35 901**	**72 348**
Change in receivables and retentions for construction contracts presented in the statement of financial statement	**245 056**	**(279 531)**
Change in investing receivables	(3 292)	3 677
Change in receivables and retentions for construction contracts presented in the cash flow statement	**241 764**	**(275 854)**
Change in retentions for construction contracts and in liabilities presented in the statement of financial statement	**130 789**	**(3 012)**
Change in investing liabilities	14	(22 092)
Change in retentions for construction contracts and in liabilities presented in the cash flow statement	**130 803**	**(25 104)**
Income tax paid resulting from the statement of financial statement	**(55 161)**	**(110 913)**
Income tax in the profit and loss account	(84 403)	(164 180)
Deferred tax on actuarial gains and losses	(614)	(1 18)
Other	-	1
Income tax paid presented in the cash flow statement	**(140 17)**	**(276 279)**

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

	2022	2021
Cumulative translation differences (foreign operation)	466	(141)
Other	(42)	(30)
Total	**424**	**(171)**

Non-monetary transactions

In 2022, non-monetary transactions concerning investing and financing activities that were not presented in the statement of cash flows included increases in non-current assets due to acceptance into lease in the amount of PLN 72 920 thousand and a conversion of the loan granted by Budimex SA to Budimex Bau GmbH into shares in the amount of PLN 5 581 thousand.

In 2021, non-monetary transactions concerning investing and financing activities that were not presented in the statement of cash flows included increases in non-current assets due to acceptance into lease in the amount of PLN 32 514 thousand.

36. 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 free-of-charge shares in Ferrovial SA. whose final settlement 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 under defined exceptional circumstances,
- 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.

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

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 (note 18). As at 31 December 2022, the total fair value of services recorded under liabilities amounted to PLN 16 031 thousand, while as at 31 December 2021 – PLN 14 889 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	20 100	15-02-2022	111.06	100%	1 142
2021	19 650	15-02-2021	92.27	100%	879

The cost of the shares granted 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.

The three-year vesting period for the shares granted in 2019 ended in March 2022. As the conditions of the incentive program were satisfied, 15 950 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 by Ferrovial SA.

37. 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)	-	-	24 850	23 098
Subsidiaries	83 163	226 184	23 884	25 801
Associates	-	44	-	-
Jointly controlled entities	14 948	20 991	736	1 313
Other related entities*	-	7	-	-
Total	**98 111**	**247 226**	**49 470**	**50 212**

	Loans granted		Loans taken out	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Subsidiaries	83 802	39 557	-	-
Total	**83 802**	**39 557**	**-**	**-**

	Revenue from sale of finished goods and services and other operating income		Purchase of finished goods and services and other operating expenses	
	2022	2022	2022	2021
Parent and its related parties (the Ferrovial Group)	-	15	30 271	30 951
Subsidiaries	364 513	821 535	223 926	155 277
Associates	12	-	151	535
Jointly controlled entities	278	16 328	-	-
Other related entities*	1	1	-	44
Total related-party transactions	**364 804**	**837 879**	**254 348**	**186 807**

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

	Finance income		Finance costs	
	2022	**2021**	**2022**	**2021**
Subsidiaries	13 122	191 098	-	-
Associates	-	18	-	-
Total related-party transactions	**13 122**	**191 116**	**-**	**-**

*) Other related entities are entities controlled, jointly controlled or entities, on which the key management person of the Company or his close family member exercises significant influence or has a significant number of votes at the shareholders' meeting of this entity.

Transactions with related entities were concluded on an 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.

38. 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

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**
RAZEM	**5 887**	**5 014**	**1 459**	**969**	**13 329**

** severance costs*

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.

(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, 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.

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 Supervisory Board members 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)

39. 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, and were not parties to any agreements obligating them to provide services to Budimex SA or its subsidiaries, jointly controlled entities or associates.

40. Leases

a) The characteristics of lease contracts concluded by the Company was described in note 19.2.

b) The cost of depreciation of right-of-use assets was disclosed in note 9 (under property, plant and equipment).

c) The cost of lease-related interest was disclosed in note 32.

d) The cost of short-term leases recognized in accordance with IFRS 16.6 amounted in 2022 to PLN 294 929 thousand and in 2021 to PLN 203 238 thousand.

e) The cost related to lease of low-value assets recognized in accordance with IFRS 16.6 amounted in 2022 to PLN 39 615 thousand and in 2021 to PLN 39 376 thousand.

f) The Company 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 402 437 thousand (including: PLN 63 224 thousand – principal part of instalments; PLN 4 669 thousand – interest portion of instalments; PLN 334 544 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 321 881 thousand (including: PLN 76 641 thousand – principal part of instalments; PLN 2 626 thousand – interest portion of instalments; PLN 242 614 thousand – payments for short-term leases and low-value assets included in cash flows from operating activities).

h) The Company did not make any sale and leaseback transactions both in 2022 and in 2021.

i) The carrying amount of right-of-use assets as at 31 December 2022 and 31 December 2021 analysed by class of the underlying assets and increases in the right-of-use assets was disclosed in note 9.

j) The portfolio of short-term leases to which the Company 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 relates to in point d). However, the Company estimates that the value of future payments, to which it is obligated under short-term leases recognised in accordance with IFRS 16.6 may differ from that for 2022 due to the specificity of the contracts being performed and the availability of own assets necessary to perform the contracts.

k) Lease instalments paid by the Company are partially calculated based on variable interest rate (WIBOR/ EURIBOR, as appropriate). The analysis of sensitivity to interest rate fluctuations was disclosed in note 7.

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

41. Capital expenditure incurred and planned

Capital expenditures incurred in 2022, including the acceptance of fixed assets under lease, amounted to PLN 212 167 thousand, including PLN 95 684 thousand for the acquisition of non-financial long-term assets. In 2022, the Company incurred capital expenditures on environmental protection in the form of installation of photovoltaic panels in the amount of PLN 535 thousand.

In 2021, capital expenditures amounted to PLN 109 307 thousand, including PLN 61 418 thousand for the acquisition of non-financial long-term assets.

In 2023, the Company expects to make investment purchases in the amount of approximately PLN 50 000 thousand, including environmental protection expenditures in the amount of approximately PLN 10 000 thousand.

42. (Off-balance sheet) investment expenditure

As at 31 December 2022, contractual investment liabilities amounted to PLN 2 740 thousand and concerned mainly the purchase of cars (as at 31 December 2021: PLN 2 863 thousand and concerned the purchase of road equipment).

43. 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 Company, 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.

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

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 financial statements, the premises resulting in liability have not materialized.

Taking into account the above assessments, the Company did not include any liabilities or provisions in the financial statements in relation to this matter. In the opinion of the Company's Management Board, the events that have occurred do not threaten the stability and credibility of Budimex SA and do not affect these financial statements in any way. In addition, in order to objectively explain the alleged irregularities, the Management Board of the Company 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 financial statements for publication, there were no other significant events that should be subject to disclosure.

44. Contingent assets and contingent liabilities

	31 December 2022	31 December 2021
1. Contingent assets	**756 409**	**674 912**
1.1. From related entities (affiliates)	1 816	1 816
- bills of exchange received as security	1 816	1 816
1.2. From other entities	742 749	673 096
- guarantees and sureties received	667 792	667 942
- bills of exchange received as security	74 957	5 154
1.3. Other	11 844	-
- other contingent assets	11 844	-
2. Contingent liabilities	**4 999 271**	**4 256 067**
2.1. To related entities (affiliates)	444 413	352 770
- guarantees and sureties issued	444 413	352 770
2.2. To other entities	4 554 677	3 903 116
- guarantees and sureties issued	4 545 813	3 894 499
- bills of exchange issued as security	8 864	8 617
2.3. Other	181	181
- other contingent liabilities	181	181
Total contingent liabilities and assets	**(4 242 862)**	**(3 581 155)**

Contingent assets arising from received guarantees and sureties represent guarantees and sureties issued by banks or other entities in favour of the Company to secure the Company's claims against contractors under executed construction contracts.

Contingent liabilities arising from issued guarantees and sureties comprise mainly guarantees and sureties issued by banks to the Company's contractors to secure their claims against the Company that may arise on the grounds of executed construction contracts. The banks are entitled to recourse claims against the Company under these guarantees and sureties. Guarantees issued to the Company's customers represent an alternative, to the retentions held, method of securing potential claims of the customers arising from the performance of construction contracts. At the same time, the risk relating to warranty repairs estimated by the Company's Management Board as probable was appropriately reflected in the warranty repair provisions, as described in note 5 to these financial statements.

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

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

45. Employment structure

As at 31 December 2022 and 31 December 2021, the employment structure of Budimex SA was as follows:

Employment group	31 December 2022	31 December 2021
White-collar employees	3 440	3 409
Blue-collar employees	1 636	1 779
Total	**5 076**	**5 188**

46. 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.

47. Significant events with an impact on the Company’s financial position

The ongoing war in Ukraine has no direct impact on the Company's operations. Budimex SA does not execute contracts both in Ukraine and in countries covered by sanctions, i.e. Russia and Belarus. The Company also has 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 contracts. In addition, the construction sector recorded an outflow of employees from Ukraine, while the impact of this phenomenon on the Company's operations is small. Changes in the prices of key materials affect the profitability of long-term contracts, especially those that are at the initial stage of implementation.

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	