THE BUDIMEX GROUP

CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

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

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(all amounts are expressed in PLN thousand)

Consolidated statement of financial position

ASSETS	Note	31 December 2023	31 December 2022
Non-current (long-term) assets			
Property, plant and equipment	10	717 986	640 734
Intangible assets	11	131 112	145 094
Goodwill of subordinated entities	12	178 198	178 198
Investments in equity accounted entities	13	2 657	2 405
Investments in equity instruments	14.3	3 892	7 545
Retentions for construction contracts	28	67 631	83 393
Trade and other receivables	16	26 718	24 441
Receivables from service concession arrangements	15	46 266	46 511
Other financial assets	14	16 890	4 777
Deferred tax assets	23	810 426	685 036
Total non-current (long-term) assets		**2 001 776**	**1 818 134**
Current (short-term) assets			
Inventories	17	607 977	743 778
Trade and other receivables	16	1 306 258	952 515
Retentions for construction contracts	28	91 726	83 120
Valuation of construction contracts	26	477 383	532 484
Current tax assets		420	1 957
Other financial assets	14	32 411	5 851
Cash and cash equivalents	18	3 900 290	3 249 369
Total current (short-term) assets		**6 416 465**	**5 569 074**
TOTAL ASSETS		**8 418 241**	**7 387 208**

(all amounts are expressed in PLN thousand)

Consolidated statement of financial position (cont.)

EQUITY AND LIABILITIES	Note	31 December 2023	31 December 2022
EQUITY			
Issued capital	19	145 848	145 848
Share premium	19	80 199	80 199
Other reserves	19	54 555	56 413
Cumulative translation differences		2 471	7 092
Retained earnings	19	1 247 742	968 832
Shareholders' equity attributable to the shareholders of the Parent		**1 530 815**	**1 258 384**
Equity attributable to non-controlling interests	20	**39 483**	**41 071**
Total equity		**1 570 298**	**1 299 455**
LIABILITIES			
Non-current (long-term) liabilities			
Loans, borrowings and other external sources of finance	21	172 405	148 706
Retentions for construction contracts	28	244 196	229 963
Provisions for long-term liabilities and other charges	25	656 385	626 314
Retirement benefits and similar obligations	24	13 366	10 070
Other financial liabilities	14	8 223	12 807
Deferred tax liabilities	23	1 633	1 149
Total non-current (long-term) liabilities		**1 096 208**	**1 029 009**
Current (short-term) liabilities			
Loans, borrowings and other external sources of finance	21	64 186	76 435
Trade and other payables	22	1 782 006	1 516 956
Retentions for construction contracts	28	226 816	218 039
Provisions for losses on construction contracts	26	771 947	803 263
Valuation of construction contracts	26	1 767 989	1 493 517
Deferred income	27	469 798	578 658
Provisions for short-term liabilities and other charges	25	557 394	337 818
Current tax liability		107 471	29 245
Retirement benefits and similar obligations	24	2 539	1 578
Other financial liabilities	14	1 589	3 235
Total current (short-term) liabilities		**5 751 735**	**5 058 744**
Total liabilities		**6 847 943**	**6 087 753**
TOTAL EQUITY AND LIABILITIES		**8 418 241**	**7 387 208**

(all amounts are expressed in PLN thousand)

Consolidated profit and loss account

	Note	Year ended 31 December 2023	2022
Continuing operations			
Net sales of finished goods, services, goods for resale and raw materials	29	9 801 515	8 619 054
Cost of finished goods, services, goods for resale and raw materials sold	30	(8 676 934)	(7 746 611)
Gross profit on sales		**1 124 581**	**872 443**
Selling expenses	30	(13 516)	(13 530)
Administrative expenses	30	(371 396)	(317 153)
Other operating income	32	125 722	65 235
Other operating expenses	32	(84 264)	(44 568)
Operating profit		**781 127**	**562 427**
Finance income	33	203 048	131 961
Finance costs	33	(54 868)	(45 589)
Shares in net profits/ (losses) of equity accounted subordinates	13	305	135
Gross profit		**929 612**	**648 934**
Income tax	23	(183 547)	(100 805)
Net profit from continuing operations		**746 065**	**548 129**
Net profit for the period		**746 065**	**548 129**
of which:			
Attributable to the shareholders of the Parent		***738 196***	***534 443***
Attributable to non-controlling interests	*20*	*7 869*	*13 686*

Basic and diluted earnings per share attributable to the shareholders of the Parent (in PLN):	*34*	*28.91*	*20.93*

(all amounts are expressed in PLN thousand)

Consolidated statement of comprehensive income

	Note	Year ended 31 December 2023	2022
Net profit for the period		**746 065**	**548 129**
Other comprehensive income, of which:			
Items to be reclassified to profit or loss upon satisfaction of certain conditions:			
Cumulative translation differences (valuation of foreign operations)	36	(4 621)	803
Deferred tax related to components of other comprehensive income		-	-
Items not to be reclassified to profit or loss:			
Actuarial gains/ (losses)	24	(2 294)	3 813
Deferred tax related to components of other comprehensive income	23	436	(724)
Other comprehensive income, net		**(6 479)**	**3 892**
Total comprehensive income for the period, of which:		**739 586**	**552 021**
of which:			
Attributable to the shareholders of the Parent		***731 717***	***538 335***
Attributable to non-controlling interests	*20*	*7 869*	*13 686*

(all amounts are expressed in PLN thousand)

Consolidated statement of changes in equity

	Issued capital	Share premium	Other reserves- (incl. share-based payments and actuarial gains/ losses)	Cumulative translation differences	Retained earnings	Equity attributable to the shareholders of the Parent, total	Non-controlling interests	Total equity
Balance as at 1 January 2023	**145 848**	**80 199**	**56 413**	**7 092**	**968 832**	**1 258 384**	**41 071**	**1 299 455**
Profit for the period	-	-	-	-	738 196	738 196	7 869	**746 065**
Other comprehensive income	-	-	(1 858)	(4 621)	-	(6 479)	-	**(6 479)**
Comprehensive income for the period	-	-	**(1 858)**	**(4 621)**	**738 196**	**731 717**	**7 869**	**739 586**
Payment of dividend by Budimex SA (note 35)	-	-	-	-	(459 286)	(459 286)	-	**(459 286)**
Payment of dividend to non-controlling shareholders	-	-	-	-	-	-	(13 377)	**(13 377)**
Establishment of a new subsidiary (note 20)	-	-	-	-	-	-	3 920	**3 920**
Balance as at 31 December 2023	**145 848**	**80 199**	**54 555**	**2 471**	**1 247 742**	**1 530 815**	**39 483**	**1 570 298**

(all amounts are expressed in PLN thousand)

Consolidated statement of changes in equity (cont.)

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

(all amounts are expressed in PLN thousand)

Consolidated statement of cash flows

	Note	Year ended 31 December 2023	2022
CASH FLOW FROM OPERATING ACTIVITIES			
Gross profit		**929 612**	**648 934**
Adjustments for:			
Depreciation/ amortisation	10, 11	157 315	152 387
Shares in net (profits)/ losses of equity accounted subordinates	13	(305)	(135)
Foreign exchange (gains)/ losses		(4 269)	1 243
Interest and shares in profits (dividends)		12 212	10 141
(Profit)/ loss on investing activities		(11 324)	(21 563)
Change in valuation of derivative financial instruments	14.2	(42 562)	(7 370)
Change in provisions and liabilities arising from retirement benefits and similar obligations	36	250 057	46 195
Other adjustments	36	(4 102)	355
Operating profit/ (loss) before changes in working capital		**1 286 634**	**830 187**
Change in receivables and retentions for construction contracts	36	(341 426)	290 194
Change in inventories	36	139 917	(314 818)
Change in retentions for construction contracts and liabilities, except for loans and borrowings	36	250 915	127 838
Change in deferred income	36	(109 063)	286 798
Change in the balance of valuation of construction contracts and provision for losses on construction contracts	36	310 246	390 437
Change in cash and cash equivalents of restricted use	18	5 563	2 951
Income tax paid	36	(230 751)	(185 821)
NET CASH FLOW FROM OPERATING ACTIVITIES		**1 312 035**	**1 427 766**

(all amounts are expressed in PLN thousand)

Consolidated statement of cash flows (cont.)

	Note	Year ended 31 December 2023	2022
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of intangible assets and property, plant and equipment		17 057	8 631
Purchase of intangible assets and property, plant and equipment		(141 948)	(125 190)
Acquisition of subsidiaries	7.1	(4 989)	(32 896)
Deferred payment for shares in subsidiaries	14.4	(5 000)	(17 700)
Proceeds from the liquidation of an affiliate		3 118	-
Increase in/ contribution to equity of non-consolidated entities	14.3	(101)	(626)
Loans granted	14.1	-	(1 910)
Dividends received	13	53	-
NET CASH FLOW FROM/ (USED IN) INVESTING ACTIVITIES		**(131 810)**	**(169 691)**
CASH FLOW FROM FINANCING ACTIVITIES			
Loans and borrowings taken out		42 935	-
Repayment of loans and borrowings		(10 981)	(9 664)
Dividends paid to the shareholders of the Parent	**35**	(459 286)	(599 191)
Dividends paid to non-controlling shareholders	20; 22	(13 622)	(14 137)
Payments of lease liabilities	40	(77 301)	(89 874)
Interest paid		(11 656)	(9 256)
Contribution of capital by non-controlling-interest	**20**	3 920	-
Other financial inflows		699	1 206
NET CASH (USED IN) FINANCING ACTIVITIES		**(525 292)**	**(720 916)**
TOTAL NET CASH FLOW		**654 933**	**537 159**
Foreign exchange differences on cash and cash equivalents, net		1 551	(634)
CASH AND CASH EQUIVALENTS - OPENING BALANCE	**18**	**3 221 410**	**2 684 885**
CASH AND CASH EQUIVALENTS - CLOSING BALANCE	**18**	**3 877 894**	**3 221 410**

Notes to the consolidated financial statements

1. General information

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

The Parent Company's core business activities are broadly defined construction and assembly services as well as provision of management and advisory services to other companies in the Budimex Group. The industry branch in which the Parent Company operates according to the classification of the Warsaw Stock Exchange is general construction.

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

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

The Parent Company and other Group companies have an unlimited period of operation. The Parent Company did not change its name during 2023.

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

These consolidated financial statements were authorized by the Management Board of the Parent Company on 8 April 2024.

Changes in the composition of the Parent Company's Management Board were presented in the Directors' Report on the activities of Budimex Group for 2023.

2. Going concern assumption

The consolidated financial statements of the Group for the year 2023 were prepared on the assumption that the Group companies will continue as going concerns in the foreseeable future. As at the date of signing these consolidated financial statements, the Management Board of the Parent Company is not aware of any facts or circumstances that would indicate any threat to the main Group companies' continued activities after the reporting date due to an intended or compulsory withdrawal from or a significant limitation in their activities.

The Budimex Group companies did not conduct in 2023, do not conduct at the time of the preparation of these consolidated financial statements, nor do they 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 assumption of going concern at a similar level within 12 months after the reporting date, nor does it constitute an indication of impairment of the Group companies' assets.

3. Key accounting policies

The main accounting policies applied during the course of the preparation of these consolidated financial statements are presented below. These accounting policies were applied consistently in all the periods presented, except for the application of the new or amended standards applicable to annual periods beginning on or after 1 January 2023.

3.1 Basis of preparing consolidated financial statements and statement of compliance

These consolidated financial statements for the year ended 31 December 2023 were prepared in accordance with International Financial Reporting Standards ("IFRS") endorsed by the European Union ("EU") and binding as at the reporting date of these consolidated financial statements**.**

Standards and amendments to the standards applied for the first time in 2023

In the financial year ended 31 December 2023, the Group applied the following standards and amendments to standards for the first time

- Amendments to IAS 1 „Presentation of Financial Statements" and IFRS Practice Statement 2: *"Disclosure of Accounting Policies"*,
- Amendments to IAS 8 „Accounting Policies, Changes in Accounting Estimates and Errors",
- Amendments to IAS 12 „Income Taxes" - *„Deferred Tax related to Assets and Liabilities arising from a Single Transaction",*

- Amendments to IAS 12 „Income Taxes" - *„International Tax Reform - Pillar Two Model Rules",*
- IFRS 17 „Insurance contracts" and Amendments to IFRS 17,
- Amendments to IFRS 17 „Insurance Contracts" - *"Initial Application of IFRS 17 and IFRS 9 - Comparative Information".*

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

Amendments to standards that were already issued, but have not yet become effective

In authorizing these financial statements, the Group *did not* apply the following 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" – *"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).

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 the regulations adopted by the International Accounting Standards Board (IASB), except for the below standards and amendments to standards, which at the date of the preparation of these consolidated financial statements have not yet been adopted for use:

- IFRS 14 „Regulatory Deferral Accounts" – according to the decision of the European Union, endorsement process of the standard in its draft form will not be initiated before the 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"* – the work leading to the endorsement of these changes was postponed by the EU indefinitely – the date of amendments becoming effective was postponed indefinitely by the IASB,
- Amendments to IAS 7 "Statements of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures" – *„Supplier Finance Arrangements"* (effective for annual periods beginning on or after 1 January 2024),
- Amendments to IAS 21 „The Effects of Changes in Foreign Exchange Rates" – *„Lack of Exchangeability"* (effective for annual periods beginning on or after 1 January 2025).

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

The consolidated financial statements were prepared under the historical cost convention, except for the hyperinflation adjustment described in note 19 and except for certain financial instruments measured at fair value at the end of each reporting period in accordance with the accounting policy described below.

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

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

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

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

3.2 Principles of consolidation

Subsidiary companies

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

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

Consolidation procedure

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

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

The following were excluded from the consolidated financial statements:

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

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

Associates

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

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

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

Joint arrangements

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

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

Transactions with non-controlling interests without control change effect

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

Acquisitions of entities

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

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

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

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

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

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

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

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

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

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

Loss of control

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

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

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

3.3 Foreign currency transactions and valuation of foreign currency items

Functional and presentation currency

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

Transactions and balances

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

At each reporting date:

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

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

Foreign operations of subsidiaries and subsidiaries with different functional currencies

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

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

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

3.4 Property, plant and equipment

Property, plant and equipment are stated at cost or cost of production less accumulated depreciation and accumulated impairment losses. Land that is not used for mining (non-mining land) is stated at cost less accumulated impairment losses.

Property, plant and equipment, except for the land not intended for mining, are depreciated in the manner reflecting the pattern of consumption of economic benefits of specific items, using the straight-line or the natural method, so as to spread their initial cost reduced by residual value over the period of their estimated useful life. Depreciation starts when a given item of property, plant and equipment is available for use. The useful lives of the Group's property, plant and equipment are as follows:

• right-of-use asset – land and perpetual usufruct right to land	2 – 99 years
• land - mines	natural
• own buildings and constructions	2 – 67 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 – 17 years
• right-of-use asset - means of transport	2 – 17 years
• own other [tangible] fixed assets	2 – 17 years
• right-of-use asset - other [tangible] fixed assets	2 – 7 years

- waste landfills natural method.

A separate item of property, plant and equipment is recognised only when it is probable that an inflow of economic benefits attributable to this item will flow to Group companies and the cost or cost of production of the item can be reliably measured. Any subsequent expenditure incurred to increase the usefulness of assets item, to replace asset component or renew it is included in the carrying amount of the given item.

Other costs incurred since the initial recognition such as costs of repair, overhaul or operating fees affect the financial result for the reporting period, in which they were incurred, except for the significant costs of general overhauls which are recognised in the carrying amount of (capitalised in) the appropriate item of property, plant and equipment.

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

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

Construction in progress

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

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

3.5 Intangible assets

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

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

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

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

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

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

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

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

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

3.7 Goodwill of subordinated entities

Goodwill is the excess of the aggregate of:

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

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

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

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

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

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

3.8 Borrowing costs

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

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

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

As at 31 December 2023 and as at 31 December 2022, there were no borrowing costs capitalised in the cost of property, plant and equipment and intangible assets.

3.9 Accounting for lease by lessee

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

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

The right-of-use asset is initially 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 the costs to be incurred by the lessee in dismantling the underlying asset/ restoring the site where it was located or renovating the underlying asset.

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

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

After the commencement date, the lease liability is increased by accrued interest and reduced by lease payments made. As stated above, the value of the lease liability may be updated as a result of changes or reassessments to the lease or as a result of changes to the fixed lease payments made to date.

Presentation

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

Right to perpetual usufruct of land vs IFRS 16

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

Maximum period of payment of perpetual usufruct fee

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

3.10 Impairment of non-financial assets

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

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

Impairment losses are recognised in the profit and loss account.

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

3.11 Inventories

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

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

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

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

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

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

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

3.12 Cash and cash equivalents

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

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

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

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

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

3.13 Financial instruments

Classification and measurement

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

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

A financial liability is any liability that is:

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

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

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

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

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

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

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

A financial asset is recognised at amortized cost, if:

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

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

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

In addition, the Budimex Group entity is entitled to irrevocably determine a non-tradable investment in equity instruments, which, upon initial recognition, was measured at fair value through other comprehensive income (FVOCI) (otherwise, such investment would be measured at fair value through profit or loss (FVPL)). The amounts accumulated in other comprehensive income shall not be reclassified to the profit or loss, even upon de-recognition from the statement of financial position. Such investment is a non-monetary (non-cash) 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 <u>at fair value through profit or loss (FVPL).</u>

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

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

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

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

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

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

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

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

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

The Budimex Group companies do not apply hedge accounting.

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

<u>Impairment of financial assets</u>

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

Amount of expected credit loss allowance

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

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

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

3.14 Equity

Equity

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

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

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

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

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

Equity attributable to non-controlling interests

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

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

3.15 Employee benefits

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

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

3.16 Share-based payments

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

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

3.17 Provisions

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

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

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

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

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

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

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

3.18 Recognition of revenues and expenses

Sales revenue is recognised using the policies described in note 3.19, 3.20 and note 29.2 below.

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

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

3.19 Revenue from contracts with customers

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

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

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

- the contracts are negotiated as a package (bundle) with a single commercial objective;
- the amount of consideration payable under one contract depends on the price or performance of another contract, or
- the goods or services promised in the contracts are a single performance obligation.

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

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

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

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

- the customer simultaneously receives and consumes the benefits provided by the company’s performance as the company performs,

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

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

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

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

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

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

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

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

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

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

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

Included in assets under "Valuation of construction contracts" is valuation 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 customers - under "Retentions for construction contracts".

Included in liabilities under "Valuation of construction contracts" is valuation 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".

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

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

3.20 Revenue and expenses of service concession arrangements

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

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

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

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

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

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

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

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

In the financial year ended 31 December 2023, the Budimex Group companies were parties to one concession arrangement, for which the relevant tests disclosed that the value of guaranteed consideration for the entire term of the arrangement calculated in present values was higher than the fair value of receivables from the construction service provided. Thus, the receivables under the construction services were recognised using the option no. 1, i.e. as a financial asset.

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

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

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

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

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

3.21 Gross profit/ (loss) on sales

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

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

3.22 Operating profit/ (loss)

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

3.23 Income tax (incl. deferred tax)

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

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

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

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

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

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

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

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

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

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

Recognition of uncertain tax position

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

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

Value added tax

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

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

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

3.24 Operating segments reporting

The Group management and organisation is based on segments.

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

- construction business,
- service activities.

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

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

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

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

4. Financial risk management

The main financial instruments used by the Budimex Group are:

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

In the course of its business, the Budimex Group is exposed to various financial risks, such as currency risk, interest rate risk, price risk, credit risk or loss of liquidity risk. The Management Board verifies and determines risk management policies for each of the risk types identified.

Currency risk

As part of their core business activities, Group companies enter into construction contracts with investors and contracts with subcontractors and suppliers in foreign currencies. The currency risk management policy adopted by the Management Board consists in hedging future cash flows arising from these contracts in order to reduce the impact of currency volatility on the Group's results. In accordance with this policy, Group companies hedge against foreign currency risk attached to any construction contract where the value of payments (inflows or outflows) in foreign currencies is considered material. Hedging against foreign currency risk is made using derivative financial instruments, mainly currency forward contracts (FX forwards/ currency forwards and currency options) or, where possible, using a natural hedge mechanism, which consists in concluding supplier or subcontractor contracts in a specific currency.

In accordance with the Group policy, foreign currency exposure is systematically measured for both individual construction contracts (by way of analysis of foreign currency inflows and outflows for the contracts concluded in foreign currency and by way of analysis of foreign currency outflows for the contracts concluded in domestic currency) and for all contracts in aggregate (global currency exposure). It is the Management Board's policy to hedge the net foreign currency exposure on realised contracts. As at 31 December 2023, the Group had approx. 85% of its foreign currency exposure on construction contracts hedged.

Foreign currency risk – sensitivity to changes

In order to carry out the currency sensitivity analysis, based on historical changes in values and on the Group's knowledge and experience of the financial markets, changes in currency exchange rates that are "feasibly possible" were estimated at -10%/+10% as at 31 December 2023 and 31 December 2022.

The table below shows the sensitivity of the net financial 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 2023	
		Depreciation	Appreciation
		of Polish zloty against other currencies	
		+10%	-10%
FX forward contracts and currency options (sum of absolute values)			
– EUR	141 680	(30 440)	30 440
Financial instruments denominated in foreign currencies – net currency exposure:			
– EUR	23 770	10 335	(10 335)
– USD	(101)	(40)	40
– CHF	500	234	(234)
– CZK	(3 957)	(70)	70
Advances received			
– EUR	(39 453)	(17 154)	17 154
Gross effect on the result for the period and net assets		**(37 135)**	**37 135**
Deferred tax		7 056	(7 056)
Total		**(30 079)**	**30 079**

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

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

Interest rate risk

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

The interest rate risk relating to current debt was assessed as relatively low from the perspective of its impact on Group'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 in market interest rates by way of entering into interest rate swaps (IRSs) from floating to fixed rates.

Interest rate risk – sensitivity to changes

In order to analyse the sensitivity to fluctuations in interest rates, based on historical changes in values and the Group's knowledge and experience of the financial markets, the "reasonably possible" fluctuations in interest rates were estimated at -1.0/+1.0 p.p. for the PLN and the Czech koruna as at 31 December 2023, and at -0.5/+0.5 p.p. for the EUR, USD and CHF. As at 31 December 2022, "reasonably possible" fluctuations in interest rates were estimated at -0.5/+0.5 p.p. for the PLN and at 0.75/+0.75 p.p. for the EUR, USD and CHF.

Presented below is the effect of interest rate fluctuations on the net result and on net assets as at 31 December 2023 and 31 December 2022:

	Value at the reporting date	Sensitivity to fluctuations as at 31 December 2023	
		+100 bp (PLN/CZK) +50 bp (EUR, USD, CHF)	-100 bp (PLN/CZK) -50 bp (EUR, USD, CHF)
Cash at bank (fair value)	3 900 173	38 240	(38 240)
Derivative financial instruments – interest rate swap			
– recognised in assets (fair value)	403	364	(374)
Bank loans and borrowings (principal)	(67 681)	(677)	677
Lease liabilities (present value)	(31 770)	(318)	318
Gross effect on the result for the period and net assets		**37 609**	**(37 619)**
Deferred tax		(7 146)	7 148
Total		**30 463**	**(30 471)**

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

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

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

The valuation of forward contracts does not show sensitivity to parallel changes in interest rates with the exchange rates remaining unchanged.

Price risk

The Group companies are exposed to the price risk from rising energy prices and materials from carbon-intensive industries such as steel or cement. This is dictated by the EU's strategy to achieve climate neutrality by 2050. Leading manufacturers of carbon-intensive materials are already investing heavily in the development of new technologies, such as the construction of CCS (carbon capture and storage) facilities. This is likely to be reflected in product prices in future.

The tense geopolitical situation and its unpredictability will have a significant impact on, among other things, the prices of petroleum products such as petrol, diesel, bitumen and heating oil. The price risk of materials purchased on the domestic market is assessed as moderate. Prices now appear to have stabilised, but it is unrealistic to expect them to return to the level before the outbreak of the war in Ukraine. Nor should the price of key materials be expected to rise except for those materials whose manufacture is based on oil prices, as in the case of asphalt, for example. Significantly higher price risk is associated with imported materials due to worsening conflicts in various parts of the globe, with a direct impact on disrupting supply chains. The 2024 forecast for the construction industry is subject to higher risks due to the geopolitical situation and the level of inflation. Uncertainty as to the level of inflation and a significant increase in the level of the minimum wage will directly translate into the prices of services provided to the Group companies by subcontractors. Insufficient indexation of construction contracts adversely affects profitability in the industry. Protracted tender processes make it difficult to plan the real costs of ongoing projects. The prices set forth in investor contracts usually remain fixed for the entire period of the contract - usually between 6 and 36 months, while subcontractor contracts are made at later dates as the individual contract work 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 by Group companies, when concluding contracts with suppliers and securing prices for the above-mentioned products is not always possible.

In order to mitigate the incurred price risk, the Budimex Group conducts ongoing monitoring of the prices of strategic raw materials and construction products, including energy prices. The Budimex Group operates the Procurement Department, which pursues a purchasing policy adapted to Budimex Group companies’ contracting strategy and, based on the construction work plans, negotiates framework agreements with suppliers of basic construction materials, striving to secure them in the long term.

Credit risk

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

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

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

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

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

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

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

Liquidity risk

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

Liquidity management is supported by the liquidity forecast reporting system which is in place at Group companies.

The maturity structure of liabilities under loans, borrowings and other external sources of finance is presented in note 21. The maturity structure of other financial liabilities is presented in the respective notes.

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

Climate risk

Climate risk is becoming an increasingly significant factor influencing construction and broader service-related activities.

Sudden weather changes, such as heavy rainfall or prolonged periods of freezing or extreme heat, can affect the timely completion of construction work. Damages to construction sites or built infrastructure caused by these phenomena are covered by insurance agreements entered into by construction companies, but they may lead to increases in insurance premiums.

Changes in legislation regarding greenhouse gas emission restrictions and the promotion of renewable energy sources lead to changes in demand for specific construction projects. However, the companies within the Group see opportunities in this challenge for their long-term development perspective. For instance, in 2022, Budimex SA acquired shares in Magnolia Energy Sp. z o.o. and Fotowoltaika HIG XIV Sp. z o.o., which began the construction of a wind farm and a photovoltaic farm respectively. At the same time, Budimex F Sp. z o.o. initiated an investment in another photovoltaic farm. In the second half of 2023, wind turbines owned by Magnolia Energy Sp. z o.o. began producing electricity. The photovoltaic farm in Budimex F Sp. z o.o. is expected to be operational in the second half of 2024, also starting to produce electricity then. The farm in Fotowoltaika HIG XIV Sp. z o.o. remains under construction.

Another type of activity where the Budimex Group sees opportunities in the face of climate change is the construction of electric vehicle charging stations and the sale of energy at these stations. Budimex Mobility SA started operating in this area in 2023 and will benefit from expected changes in EU climate policy (Fit for 55), which will prohibit the sale of CO2-emitting cars after 2035.

In waste management activities, the short-term challenge and long-term opportunity will be increasing the levels of mandatory waste recycling. The challenge will be the necessary investment in new processing facilities in the short term, but in the longer term, such investments will serve as a barrier to entry for potential competitors who may not have the necessary funds. Penalties imposed for failing to meet processing level standards remain a threat.

More information on climate risks and their potential impact can be found in the Non-Financial Information Report of the Budimex Group for the year 2023.

The identified climate risk factors above do not affect either the consolidated financial statements or the key assumptions used in their preparation.

5. Capital management

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

The Group manages its capital structure and modifies it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may return equity to the shareholders, issue new shares or pay out dividend. In 2023 and 2022, no changes were made to the objectives and policies binding in this area.

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

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

	31 December 2023	31 December 2022
Interest-bearing loans and borrowings and other external sources of finance	236 591	225 141
Trade and other payables	4 841 980	4 413 463
Less: cash and cash equivalents	(3 900 290)	(3 249 369)
Net debt	1 178 281	1 389 235
Equity	1 570 298	1 299 455
Equity and net debt	2 748 579	2 688 690
Gearing ratio	**42.87%**	**51.67%**

6. Key estimates and assumptions

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

6.1 Key accounting estimates

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

Provisions for warranty repairs

For construction and road maintenance contracts, the Budimex Group companies are required to issue warranties for their construction services rendered. For construction contracts, the amount of warranty provision is linked to particular construction segments and ranges from 0.3% to 1.5% of revenue from a given contract. In the case of road maintenance contracts, the amount of the provision is 0.8% of the revenue recognised in the sales period. These ratios are, however, analysed on an individual basis and in justified cases may be increased or reduced, as appropriate. The amount of warranty provision has been presented in note 25.

Un-invoiced services

The Group companies execute the majority of construction contracts in the capacity of general contractor with extensive support from various subcontractors. Realised construction works are approved by the investor in the process of technical approval and acceptance on the basis of technical acceptance protocol and invoice. At each reporting date, there is a significant amount of completed but unconfirmed and un-invoiced work by subcontractors that the Group companies recognise as contract costs on an accrual basis. The value of the costs of completed and un-invoiced projects is determined by Group companies' technical surveyors based on physical survey of completed work and may differ from that determined in the formal process of technical acceptance of the construction works.

Tax settlements

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

As at 31 December 2023, VAT tax proceedings were pending in FBSerwis Kamieńsk Sp. z o.o. and corporate income tax proceedings in FBSerwis Wrocław Sp. z o.o. These proceedings have not been concluded by the date of the preparation of these consolidated financial statements.

Provision for litigation, penalties and sanctions

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

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

6.2 Professional judgment in applying accounting policies

Recognition of construction contracts revenue and losses

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

The input-based method (the method of the share of costs incurred up to the date of determination of revenue in the total cost of goods or services) is applied only where the progress of the work cannot be reliably measured using the work progress measurement (results/output)-based method. Under this method, revenue from construction contracts in 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 share of contract costs incurred from the date of contract inception to the date of revenue determination in the total costs of performing the service.

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 budgets for individual contracts are the key element for measuring sales revenue. Twice a year, the budgets of individual contracts are subject to a formal update (revision) procedure, based on the current information, and are approved by the Management Board. If events occur between official budget revisions that materially affect contract result, total contract revenue or total contract costs may be updated earlier.

When it is likely that the total contract costs will exceed the total contract revenue, then in accordance with IAS 37, the expected loss (the excess of direct costs and a reasonable part of indirect costs over revenues) is charged to operating expenses with a corresponding entry being recognition of a provision for onerous contracts (provision for contracts losses). The amount of the expected contract loss is also updated during budget revisions and is the best estimate of the costs that the Group companies will have to incur to complete the implementation of a given construction contract.

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

7.1 Purchase of shares in PPUH Konstalex Sp. z o.o.

On 15 May 2023, Mostostal Kraków SA, a 100% subsidiary of Budimex SA, concluded a contract with 2 natural persons for the acquisition of 80 shares in Przedsiębiorstwo Produkcyjno-Usługowo-Handlowe Konstalex Sp. z o.o. with a total nominal value of PLN 115 thousand, representing 100.00% of the issued capital and entitling to 100.00% of votes at the company's shareholders' meeting. The purchase price was set at PLN 12 500 thousand.

The acquired company is active in the manufacture of steel structures, and the Budimex Group reports the company's data within the construction segment. The purchase of shares in PPUH Konstalex Sp. z o.o. was recognised by the Group as an acquisition of a venture. The company was purchased to strengthen the production capacity of steel structures.

As at 31 December 2023, the final settlement of the acquisition of shares in PPUH Konstalex Sp. z o.o. was made:

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

Cash payment at the date of acquisition	(12 500)
Cash and cash equivalents in the acquired entity at the time of acquisition	7 511
Cash outflow related to the acquisition	**(4 989)**

Fair value of acquired assets and assumed liabilities at the date of obtaining control	**15 May 2023**
Non-current assets	
Property, plant and equipment	15 679
Trade and other receivables	479
Current assets	
Inventories	4 116
Trade and other receivables	6 609
Valuation of construction contracts	14 718
Current tax assets	43
Cash and cash equivalents	7 511
Long- and short-term liabilities	
Loans, borrowings and other external sources of finance	(6 500)
Deferred tax liability	(2 541)

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

Trade and other payables	(21 538)
Valuation of construction contracts	(2 729)
Deferred income	(203)
Provision for liabilities and other charges (note 25)	(843)
Provision for retirement benefits and similar obligations (note 24)	(747)
Net assets acquired at fair value	**14 054**
Gain from bargain purchase (note 32)	1 554

Sales revenue of the Company for the period from acquisition to 31 December 2023	38 749
Net profit of the Company for the period from acquisition to 31 December 2023	3 040
Sales revenue of the Company for the period from the beginning of the year to 31 December 2023	61 679
Net profit of the Company for the period from the beginning of the year to 31 December 2023	3 104

The bargain purchase gain of PLN 1 554 thousand was recognised under “other operating income” in the consolidated income statement. The reason for the bargain purchase gain was the expected synergies in the company's operations, which were not achievable by another investor.

The gross value of trade receivables at the time of the acquisition of the company was PLN 6 463 thousand and their fair value was PLN 5 077 thousand.

No compensation assets were recognised in connection with the acquisition of control of the company.

As at the date of the preparation of these consolidated financial statements, the Budimex Group incurred costs related to the acquisition of shares in PPUH Konstalex Sp. z o.o. in the amount of PLN 412 thousand.

In the period from the acquisition date to 31 December 2023, the following adjustments were made to the fair value of the net assets of PPUH Konstalex Sp. z o.o.:

- the fair value of property, plant and equipment was increased by PLN 12 820 thousand as a result of an appraiser's valuation;
- the value of short-term receivables was adjusted by PLN (8) thousand;
- deferred tax liabilities deriving from the above-described adjustments in the amount of PLN 2 436 thousand were recognized.

7.2 Consolidation of Budimex A Sp. z o.o., Budimex F Sp. z o.o., Budimex O Sp. z o.o., Budimex P Sp . z o.o., Budimex R Sp. z o.o.

In 2023, Budimex A Sp. z o.o., Budimex F Sp. z o.o., Budimex O Sp. z o.o., Budimex P Sp. z o.o. and Budimex R Sp. z o.o. were consolidated using the full method. These companies were established in earlier years and Budimex SA is their sole shareholder. The reason for their inclusion in consolidation was the commencement of operating activities by these companies. The aggregated values from the statements of financial position of all the above companies as at 31 December 2022 are presented below, which adjusts the changes in operating activities in the consolidated statement of cash flows (note 36):

Value of assets and liabilities at the previous reporting date	**31 December 2022**
Non-current assets	
Property, plant and equipment	1 557
Current assets	
Trade and other receivables	389
Cash and cash equivalents	13
Long- and short-term liabilities	
Loans, borrowings and other external sources of finance issued by the Parent Company	(1 987)
Trade and other payables	(25)

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

8. The Budimex Group Entities

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

Entity name	Registered office	Share in the issued capital and in the number of votes (%)		Consolidation method	
		31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Parent Company					
Budimex SA	Warsaw / Poland			full	full
Consolidated					
Mostostal Kraków SA	Cracow / Poland	100.00%	100.00%	full	full
Mostostal Kraków Energetyka Sp. z o.o.	Cracow / Poland	100.00%	100.00%	full	full
Budimex Bau GmbH	Berlin / Germany	100.00%	100.00%	full	full
Budimex Budownictwo Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	full	full
Budimex Kolejnictwo SA	Warsaw / Poland	100.00%	100.00%	full	full
FBSerwis SA	Warsaw / Poland	100.00%	100.00%	full	full
FBSerwis A Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	full	full
FBSerwis B Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	full	full
FBSerwis Karpatia Sp. z o.o.	Tarnów / Poland	100.00%	100.00%	full	full
FBSerwis Wrocław Sp. z o.o.	Bielany Wrocławskie / Poland	100.00%	100.00%	full	full
FBSerwis Dolny Śląsk Sp. z o.o.	Ścinawka Dolna / Poland	100.00%	100.00%	full	full
FBSerwis Odbiór Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	full	full
FBSerwis Paliwa Alternatywne Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	full	full
JZE Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	full	full
FBSerwis Kamieńsk Sp. z o.o.	Kamieńsk / Poland	80.00%	80.00%	full	full
Budimex Parking Wrocław Sp. z o.o.	Warsaw / Poland	51.00%	51.00%	full	full
Budimex Most Wschodni SA	Warsaw / Poland	100.00%	100.00%	full	full
Circular Construction SA	Warsaw / Poland	100.00%	100.00%	full	full
Budimex Mobility SA[1]	Warsaw / Poland	100.00%	100.00%	full	full
Budimex Slovakia s.r.o.	Bratysława/Słowacja	100.00%	100.00%	full	full
Magnolia Energy Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	full	full
Zakład Przetwarzania Odpadów Zawisty Sp. z o.o.	Ostrołęka / Poland	100.00%	100.00%	full	full
Fotowoltaika HIG XIV Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	full	full
RailBX GmbH	Berlin / Germany	100.00%	100.00%	full	full
Budimex F Sp. z o.o.[2]	Warsaw / Poland	100.00%	100.00%	full	non-consolidated
Budimex A Sp. z o.o. [3]	Warsaw / Poland	100.00%	100.00%	full	non-consolidated
Budimex O Sp. z o.o. [3]	Warsaw / Poland	100.00%	100.00%	full	non-consolidated
Budimex P Sp. z o.o. [3]	Warsaw / Poland	100.00%	100.00%	full	non-consolidated
Budimex R Sp. z o.o. [3]	Warsaw / Poland	100.00%	100.00%	full	non-consolidated
BxF Energia Sp. z o.o.[3]	Warsaw / Poland	51.00%	-	full	-
PPUH Konstalex Sp. z o.o.[4]	Radomsko / Poland	100.00%	-	full	-
Green Waste Management 1 Sp. z o.o. [5]	Warsaw / Poland	100.00%	-	full	-
Green Waste Management 2 Sp. z o.o. [5]	Warsaw / Poland	100.00%	-	full	-
Green Waste Management 3 Sp. z o.o. [5]	Warsaw / Poland	100.00%	-	full	-
Green Waste Management 4 Sp. z o.o. [5]	Warsaw / Poland	100.00%	-	full	-
Green Waste Management 5 Sp. z o.o. [5]	Warsaw / Poland	100.00%	-	full	-
Green Waste Management 6 Sp. z o.o. [5]	Warsaw / Poland	100.00%	-	full	-

1) Budimex PPP SA changed its name to Budimex Mobility SA on 6 February 2023.
2) The company consolidated from February 2023 due to the commencement of operating activities. See note 7.2 for details.
3) Companies consolidated from December 2023 due to the commencement of operating activities. See note 7.2 for details.
4) Consolidated from May 2023. See note 7.1 for details.
5) In June and July 2023, FBSerwis SA, a wholly owned subsidiary of Budimex SA, as sole shareholder, established 6 limited liability companies. The companies were registered with the National Court Register in June, July and August 2023. The companies were consolidated from December 2023 due to the commencement of operating activities.

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

Entity name	Registered office	Share in the issued capital and in the number of votes (%)		Consolidation method	
		31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Non-consolidated					
Budimex Autostrada A1 SA (in liquidation)	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. w upadłości likwidacyjnej [in liquidation bankruptcy]	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex C Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex D Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex F Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex H Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex I Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex J Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex K Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
ConVentures Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
ASI 1 ConVentures Sp. z o.o. SKA	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex Construction Prague s.r.o	Prague / Czechia	100.00%	100.00%	non-consolidated	non-consolidated
Budimex M Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex N Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
WM Serwis SA[1]	Warsaw / Poland	100.00%	-	non-consolidated	-

[1)] On 22 May 2023, Budimex SA, as the sole shareholder, established WMSerwis SA. The company was registered in the National Court Register on 12 July 2023. The company has not been consolidated due to the absence of operating activities.

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

Entity name	Registered office	Share in the issued capital and in the number of votes (%)		Consolidation method	
		31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Wspólne działania					
Budimex SA Cadagua SA III s.c.	Warsaw / Poland	99.90%	99.90%	share in assets, liabilities, revenues and costs	share in assets, liabilities, revenues and costs
Budimex SA Cadagua SA IV s.c.	Warsaw / Poland	99.90%	99.90%		
Budimex SA Cadagua SA V s.c.	Warsaw / Poland	99.90%	99.90%		
Budimex SA Sygnity SA sp. j.	Warsaw / Poland	67.00%	67.00%		
Budimex SA Tecnicas Reunidas SA Turów s.c.	Warsaw / Poland	50.00%	50.00%		
ARGE Brücke Oderberg	Berlin / Germany	100.00%	100.00%		
ARGE Brücke Wittstock	Berlin / Germany	100.00%	100.00%		
ARGE Oberkrämmer[1]	Berlin / Germany	100.00%	-		
ARGE Campus Düppel[2]	Berlin / Germany	100.00%	-		
ARGE Wollin[3]	Berlin / Germany	100.00%	-		
ARGE Delmenhorst[4]	Berlin / Germany	100.00%	-		
E.R.B. Rail JV PS[5]	Riga / Latvia	37.50%	-		
Budimex SA Ferrovial Agroman SA 2 s.c.[6]	Warsaw / Poland	-	95.00%		
Budimex SA Ferrovial Construccion SA sp.j. [7]	Warsaw / Poland	-	50.00%		

[1)] Company incorporated on 5 April 2023.
[2)] Company incorporated on 28 June 2023.
[3)] Company incorporated on 5 October 2023.
[4)] Company incorporated on 16 October 2023.
[5)] Company incorporated on 12 October 2023.
[6)] On 17 May 2023, the shareholders of Budimex SA Ferrovial Agroman SA 2 s.c. adopted a resolution to dissolve the company due to the inability to achieve the economic objective for which the company was established.
[7)] On 29 December 2022, an application was filed to remove the company from the National Court Register. On 13 January 2023, the company was deleted from the National Court Register.

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

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

The composition of the Group has not changed other than as mentioned above.

9. Operating segments

Operating segments

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

- construction business
- service activities.

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

- Budimex SA
- Mostostal Kraków SA
- Mostostal Kraków Energetyka Sp. z o.o.
- Budimex Bau GmbH
- Budimex Budownictwo Sp. z o.o.
- Budimex Kolejnictwo SA
- RailBX GmbH
- Budimex Slovakia s.r.o
- PPUH Konstalex Sp. z o.o. (consolidated using the full method as of May 2023).

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

- Budimex Parking Wrocław Sp. z o.o.
- FBSerwis SA
- FBSerwis A Sp. z o.o.
- FBSerwis B Sp. z o.o.
- FBSerwis Dolny Śląsk Sp. z o.o.
- FBSerwis Wrocław Sp. z o.o.
- FBSerwis Karpatia Sp. z o.o.
- FBSerwis Kamieńsk Sp. z o.o.
- FBSerwis Odbiór Sp. z o.o.
- FBSerwis Paliwa Alternatywne Sp. z o.o.
- JZE Sp. z o.o.
- Budimex Most Wschodni SA
- Circular Construction SA
- Magnolia Energy Sp. z o.o.
- Zakłady Przetwarzania Odpadów Zawisty Sp. z o.o.
- Fotowoltaika HIG XIV Sp. z o.o.
- Budimex Mobility SA (*formerly* Budimex PPP SA)
- Budimex F Sp. z o.o. (consolidated using the full method as of February 2023)
- Budimex A Sp. z o.o. (consolidated using the full method as of December 2023)
- Budimex O Sp. z o.o. (consolidated using the full method as of December 2023)
- Budimex P Sp. z o.o. (consolidated using the full method as of December 2023)
- Budimex R Sp. z o.o. (consolidated using the full method as of December 2023)
- BxF Energia Sp. z o.o. (consolidated using the full method as of December 2023)
- Green Waste Management 1 Sp. z o.o. (consolidated using the full method as of December 2023)
- Green Waste Management 2 Sp. z o.o. (consolidated using the full method as of December 2023)
- Green Waste Management 3 Sp. z o.o. (consolidated using the full method as of December 2023)
- Green Waste Management 4 Sp. z o.o. (consolidated using the full method as of December 2023)
- Green Waste Management 5 Sp. z o.o. (consolidated using the full method as of December 2023)
- Green Waste Management 6 Sp. z o.o. (consolidated using the full method as of December 2023)

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

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

Segment results for the **year ended 31 December 2023** are presented in the table below:

	Construction business	Service activities	Consolidation exclusions	Consolidated value
Revenue from external sales	8 877 053	924 462	-	**9 801 515**
Inter-segment sales	25 393	7 774	(33 167)	**-**
Total sales revenue	**8 902 446**	**932 236**	**(33 167)**	**9 801 515**
Cost of finished goods, goods for resale and raw materials sold externally	(7 909 409)	(767 525)	-	**(8 676 934)**
Cost of finished goods, goods for resale and raw materials sold to other segments	(18 654)	(6 213)	24 867	**-**
Total cost of finished goods, goods for resale and raw materials sold	**(7 928 063)**	**(773 738)**	**24 867**	**(8 676 934)**
Gross profit on sales	**974 383**	**158 498**	**(8 300)**	**1 124 581**
Selling expenses	(13 516)	-	-	**(13 516)**
Administrative expenses	(317 543)	(61 666)	7 813	**(371 396)**
Other operating income/ (expenses), net	70 546	(29 088)	-	**41 458**
Operating profit	**713 870**	**67 744**	**(487)**	**781 127**
Finance income / (finance costs), net, of which:	149 612	2 454	(3 886)	**148 180**
- interest income	*185 144*	*10 436*	*(4 696)*	***190 884***
- interest expense	*(7 031)*	*(6 941)*	*709*	***(13 263)***
Shares in profits of equity accounted entities	-	305	-	**305**
Income tax	(158 271)	(26 106)	830	**(183 547)**
Net profit	**705 211**	**44 397**	**(3 543)**	**746 065**

In 2023, net revenue from sales to one customer amounted to PLN 1 963 966 thousand, of which PLN 1 790 251 thousand related to the construction segment and PLN 173 715 thousand - to the services segment.

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

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

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

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

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

Other segment-related items recognised in the profit and loss account and capital expenditure **for the year ended 31 December 2023** are as follows:

	Construction business	Service activities	Consolidated value
Depreciation/ amortization (note 10,11)	(98 032)	(59 283)	**(157 315)**
(Recognition)/ reversal of impairment write-downs against receivables (note 16)	(19 754)	(478)	**(20 232)**
(Recognition)/ reversal of impairment write-downs against non-financial long-term assets (note 10)	1 677	1 438	**3 115**
Other non-monetary income/ (costs)*	(98 486)	(9 956)	**(108 442)**
Result on sale of non-financial long-term assets and investments**	3 352	1 546	**4 898**
Capital expenditure	155 551	86 676	**242 227**

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

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

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

Capital expenditure covers increases in property, plant and equipment (incl. acceptance into lease), investment property and intangible assets.

Geographical information

The Budimex Group conducts business in Poland and abroad.

Geographical information on sales revenue was presented in note 29.

Non-current assets

	31 December 2023	31 December 2022
Domestic market	1 045 002	983 052
German market	8 790	5 415
Slovak market	222	-
Total	**1 054 014**	**988 467**

Capital expenditure

	2023	2022
Domestic market	237 812	216 985
German market	4 193	5 002
Slovak market	222	-
Total	**242 227**	**221 987**

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

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

10. Property, plant and equipment

	Land & perpetual usufruct to land		Buildings & constructions		Plant & machinery		Means of transport		Other [tangible] fixed assets		Construction in progress (AUC)	Prepayments for AUC	Total
	freehold	leased*	own	leased*	own	leased*	own	leased*	own	leased*			
Gross value as at 1 January 2023	**27 852**	**28 406**	**128 790**	**103 126**	**374 370**	**114 874**	**80 977**	**171 715**	**67 331**	**7 283**	**65 737**	**28 026**	**1 198 487**
Increases	**3 172**	**10 860**	**40 697**	**17 988**	**140 039**	**2 467**	**60 094**	**23 549**	**12 658**	**942**	**4 138**	**(3 936)**	**312 668**
– change in Group composition (note 7)	2 250	-	8 043	-	3 770	-	414	-	1 418	-	1 292	49	**17 236**
– purchase	922	-	1 552	-	32 794	223	19 322	-	10 549	-	-	-	**65 362**
– post-lease purchase	-	-	-	-	50 167	-	38 230	-	334	-	-	-	**88 731**
– acceptance for use under lease contracts	-	10 860	-	17 988	-	2 066	-	23 549	-	942	-	-	**55 405**
– transfer from construction in progress	-	-	28 981	-	51 210	-	2 127	-	331	-	(86 109)	-	**(3 460)**
– increase in construction in progress	-	-	-	-	-	-	-	-	-	-	51 543	-	**51 543**
– prepayments settlement	-	-	-	-	2 097	-	-	-	-	-	37 412	(39 509)	**-**
– prepayments made	-	-	-	-	-	-	-	-	-	-	-	35 524	**35 524**
– other increases	-	-	2 121	-	1	178	1	-	26	-	-	-	**2 327**
Decreases:	**(2 141)**	**(3 933)**	**(1 428)**	**(7 149)**	**(31 331)**	**(53 312)**	**(3 256)**	**(58 205)**	**(7 262)**	**(1 366)**	**(45)**	**(447)**	**(169 875)**
– liquidation, scrapping	-	(3 933)	(1 007)	(7 149)	(10 849)	(3 145)	(229)	(19 792)	(5 348)	(1 032)	-	-	**(52 484)**
– sale	(2 139)	-	(421)	-	(18 347)	-	(3 025)	-	(1 671)	-	-	-	**(25 603)**
– post-lease purchase	-	-	-	-	-	(50 167)	-	(38 230)	-	(334)	-	-	**(88 731)**
– foreign exchange differences	-	-	-	-	(14)	-	-	-	(81)	-	(45)	(400)	**(540)**
– other decreases	(2)	-	-	-	(2 121)	-	(2)	(183)	(162)	-	-	(47)	**(2 517)**
Gross value as at 31 December 2023	**28 883**	**35 333**	**168 059**	**113 965**	**483 078**	**64 029**	**137 815**	**137 059**	**72 727**	**6 859**	**69 830**	**23 643**	**1 341 280**

**right-of-use assets*

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

	Land & perpetual usufruct to land		Buildings & constructions		Plant & machinery		Means of transport		Other [tangible] fixed assets		Construction in progress (AUC)	Prepayments for AUC	Total
	freehold	leased*	own	leased*	own	leased*	own	leased*	own	leased*			
Accumulated depreciation as at 1 January 2023	**(2 193)**	**(8 265)**	**(42 604)**	**(38 656)**	**(217 410)**	**(64 995)**	**(29 097)**	**(89 479)**	**(48 714)**	**(4 988)**	**-**	**-**	**(546 401)**
Movements in the period:	**(684)**	**(3 625)**	**(11 409)**	**(11 313)**	**(33 887)**	**19 534**	**(38 372)**	**14 346**	**(2 550)**	**(696)**	**-**	**-**	**(68 656)**
– charge for the period (note 30)	(890)	(7 278)	(11 464)	(17 868)	(28 929)	(14 048)	(13 207)	(33 376)	(7 537)	(2 056)	-	-	**(136 653)**
– liquidation, scrapping	-	3 652	1 007	6 555	10 180	3 136	41	19 196	4 068	1 032	-	-	**48 867**
– sale	-	-	421	-	14 861	-	2 524	-	1 409	-	-	-	**19 215**
– post-lease purchase	-	-	-	-	(29 984)	29 984	(27 736)	27 736	(328)	328	-	-	**-**
– foreign exchange differences	-	-	-	-	15	-	-	-	81	-	-	-	**96**
– other	206	1	(1 373)	-	(30)	462	6	790	(243)	-	-	-	**(181)**
Accumulated depreciation as at 31 December 2023	**(2 877)**	**(11 890)**	**(54 013)**	**(49 969)**	**(251 297)**	**(45 461)**	**(67 469)**	**(75 133)**	**(51 264)**	**(5 684)**	**-**	**-**	**(615 057)**
Impairment write-downs as at 1 January 2023	**(1 677)**	**-**	**(5 423)**	**-**	**-**	**-**	**(1 663)**	**-**	**(282)**	**-**	**(2 307)**	**-**	**(11 352)**
– (increases)/ decreases (note 32)	1 677	-	1 438	-	-	-	-	-	-	-	-	**-**	**3 115**
Impairment write-downs as at 31 December 2023	**-**	**-**	**(3 985)**	**-**	**-**	**-**	**(1 663)**	**-**	**(282)**	**-**	**(2 307)**	**-**	**(8 237)**
Net value as at 1 January 2023	**23 982**	**20 141**	**80 763**	**64 470**	**156 960**	**49 879**	**50 217**	**82 236**	**18 335**	**2 295**	**63 430**	**28 026**	**640 734**
Net value as at 31 December 2023	**26 006**	**23 443**	**110 061**	**63 996**	**231 781**	**18 568**	**68 683**	**61 926**	**21 181**	**1 175**	**67 523**	**23 643**	**717 986**

**right-of-use assets*

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

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

**right-of-use assets*

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

	Land & perpetual usufruct to land		Buildings & constructions		Plant & machinery		Means of transport		Other [tangible] fixed assets		Construction in progress (AUC)	Prepayments for AUC	Total
	freehold	leased*	own	leased*	own	leased*	own	leased*	own	leased*			
Accumulated depreciation as at 1 January 2022	**(1 438)**	**(5 703)**	**(31 250)**	**(31 049)**	**(177 330)**	**(74 741)**	**(26 545)**	**(75 320)**	**(44 982)**	**(3 487)**	**-**	**-**	**(471 845)**
Movements in the period:	**(755)**	**(2 562)**	**(11 354)**	**(7 607)**	**(40 080)**	**9 746**	**(2 552)**	**(14 159)**	**(3 732)**	**(1 501)**	**-**	**-**	**(74 556)**
– charge for the period (note 30)	(762)	(6 252)	(11 401)	(16 100)	(25 772)	(19 904)	(8 574)	(34 118)	(7 784)	(2 150)	-	-	**(132 817)**
– liquidation, scrapping	-	3 692	183	8 497	3 191	3 352	13	18 894	2 555	377	-	-	**40 754**
– sale	-	-	-	-	8 713	-	7 078	-	1 819	-	-	-	**17 610**
– post-lease purchase	-	-	-	-	(26 298)	26 298	(1 064)	1 064	(271)	271	-	-	**-**
– foreign exchange differences	-	-	-	-	(4)	-	-	-	(19)	-	-	-	**(23)**
– other	7	(2)	(136)	(4)	90	-	(5)	1	(32)	1	-	-	**(80)**
Accumulated depreciation as at 31 December 2022	**(2 193)**	**(8 265)**	**(42 604)**	**(38 656)**	**(217 410)**	**(64 995)**	**(29 097)**	**(89 479)**	**(48 714)**	**(4 988)**	**-**	**-**	**(546 401)**
Impairment write-downs as at 1 January 2022	**(1 677)**	**-**	**(7 628)**	**-**	**-**	**-**	**(1 663)**	**-**	**(282)**	**-**	**(2 307)**	**-**	**(13 557)**
– (increases)/ decreases (note 32)	-	-	2 205	-	-	-	-	-	-	-	-	**-**	**2 205**
Impairment write-downs as at 31 December 2022	**(1 677)**	**-**	**(5 423)**	**-**	**-**	**-**	**(1 663)**	**-**	**(282)**	**-**	**(2 307)**	**-**	**(11 352)**
Net value as at 1 January 2022	**17 128**	**16 549**	**76 544**	**41 230**	**113 213**	**70 624**	**28 170**	**91 522**	**23 072**	**3 876**	**56 199**	**485**	**538 612**
Net value as at 31 December 2022	**23 982**	**20 141**	**80 763**	**64 470**	**156 960**	**49 879**	**50 217**	**82 236**	**18 335**	**2 295**	**63 430**	**28 026**	**640 734**

**right-of-use assets*

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

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

	2023	2022
Cost of development of finished goods and services sold	126 307	124 097
Administrative expenses	10 315	8 677
Selling expenses	31	43
Total – depreciation of property, plant and equipment (note 30)	**136 653**	**132 817**

The value of collaterals/ securities established on property, plant and equipment has been described in note 37.

The reason for the reversal of impairment losses on property, plant and equipment in 2023 was the sale of fixed assets and a change in business objectives and the continued use of assets to generate profits.

In the years 2022 - 2023, the Group did not receive compensation in respect of the fixed assets that were impaired or lost.

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

11. Intangible assets

	Computer software	Development costs	Right to waste landfilling	Waste processing permit	Other	Intangible assets under construction/ development	Total
Gross value as at 1 January 2023	**73 932**	**450**	**53 825**	**93 628**	**36**	**14 097**	**235 968**
Increases:	**6 270**	**3 460**	**-**	**-**	**1 074**	**(2 669)**	**8 135**
– purchase	1 498	-	-	-	109	-	**1 607**
– prepayments made	-	-	-	-	-	2 103	**2 103**
– prepayments settlement	4 772	-	-	-	-	(4 772)	**-**
– transfer between categories of intangible assets	-	-	-	-	965	-	**965**
– transfer from assets under construction	-	3 460	-	-	-	-	**3 460**
Decreases:	**(1 521)**	**-**	**-**	**-**	**-**	**-**	**(1 521)**
– liquidation	(477)	-	-	-	-	-	**(477)**
– foreign exchange differences	(78)	-	-	-	-	-	**(78)**
– transfer between categories of intangible assets	(965)	-	-	-	-	-	**(965)**
– other	(1)	-	-	-	-	-	**(1)**
Gross value as at 31 December 2023	**78 681**	**3 910**	**53 825**	**93 628**	**1 110**	**11 428**	**242 582**
Accumulated amortization as at 1 January 2023	**(52 198)**	**(394)**	**(19 642)**	**(18 604)**	**(36)**	**-**	**(90 874)**
Movements for the period:	**(6 932)**	**(56)**	**(6 375)**	**(6 460)**	**(773)**	**-**	**(20 596)**
– charge for the period (note 30)	(7 686)	(56)	(6 374)	(6 460)	(86)	-	**(20 662)**
– liquidation	13	-	-	-	-	-	**13**
– foreign exchange differences	54	-	-	-	-	-	**54**
– transfer between categories of intangible assets	687	-	-	-	(687)	-	**-**
– other	-	-	(1)	-	-	-	**(1)**
Accumulated amortization as at 1 December 2021	**(59 130)**	**(450)**	**(26 017)**	**(25 064)**	**(809)**	**-**	**(111 470)**
Net value as at 1 January 2023	**21 734**	**56**	**34 183**	**75 024**	**-**	**14 097**	**145 094**
Net value as at 31 December 2023	**19 551**	**3 460**	**27 808**	**68 564**	**301**	**11 428**	**131 112**

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

	Computer software	Development costs	Right to waste landfilling	Waste processing permit	Other	Intangible assets under construction/ development	Total
Gross value as at 1 January 2022	**75 799**	**450**	**53 825**	**86 306**	**36**	**9 060**	**225 476**
Increases:	**1 741**	**-**	**-**	**7 322**	**-**	**5 037**	**14 100**
– change in Group composition	-	-	-	7 322	-	-	**7 322**
– purchase	1 496	-	-	-	-	-	**1 496**
– prepayments made	-	-	-	-	-	5 257	**5 257**
– prepayments settlement	220	-	-	-	-	(220)	**-**
– foreign exchange differences	20	-	-	-	-	-	**20**
– other	5	-	-	-	-	-	**5**
Decreases:	**(3 608)**	**-**	**-**	**-**	**-**	**-**	**(3 608)**
– liquidation	(3 608)	-	-	-	-	-	**(3 608)**
Gross value as at 31 December 2022	**73 932**	**450**	**53 825**	**93 628**	**36**	**14 097**	**235 968**
Accumulated amortization as at 1 January 2022	**(47 417)**	**(169)**	**(14 752)**	**(12 523)**	**(36)**	**-**	**(74 897)**
Movements for the period:	**(4 781)**	**(225)**	**(4 890)**	**(6 081)**	**-**	**-**	**(15 977)**
– charge for the period (note 30)	(8 374)	(225)	(4 890)	(6 081)	-	-	**(19 570)**
– liquidation	3 608	-	-	-	-	-	**3 608**
– foreign exchange differences	(11)	-	-	-	-	-	**(11)**
– other	(4)	-	-	-	-	-	**(4)**
Accumulated amortization as at 1 December 2021	**(52 198)**	**(394)**	**(19 642)**	**(18 604)**	**(36)**	**-**	**(90 874)**
Net value as at 1 January 2022	**28 382**	**281**	**39 073**	**73 783**	**-**	**9 060**	**150 579**
Net value as at 31 December 2022	**21 734**	**56**	**34 183**	**75 024**	**-**	**14 097**	**145 094**

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

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

	2023	2022
Cost of development of finished goods and services sold	13 578	11 897
Administrative expenses	6 972	7 556
Selling expenses	112	117
Total – amortization of intangible assets (note 30)	**20 662**	**19 570**

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

The value of expenditure on research and development recognized as an expense in 2023 amounted to PLN 30 245 thousand (in 2022: PLN 88 867 thousand).

As at 31 December 2023 and 31 December 2022, Group companies reported no material liens or encumbrances *(obciążenia o charakterze prawnorzeczowym)* or encumbrances obligating to perform a legal act *(obciążenia obligacyjne)* established on their intangible assets.

No impairment write-downs against intangible assets were made in the year 2023 or 2022.

12. Goodwill of subordinated entities

Goodwill of subordinated entities amounted as at 31 December 2023 to PLN 178 198 thousand (31 December 2022: PLN 178 198 thousand) and was composed of:

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

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

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

The recoverable amount of the cash generating unit is determined on the basis of calculations of value in use. These calculations make use of the projections of five-year cash flows. Cash flows beyond the five-year period were assessed at a constant level. The adopted growth rate does not exceed the long-term average growth rate for the construction industry, in which the cash generating unit operates. The calculation assumes a gross margin of between 8.7% and10.5% for the period 2024-2028 and 8.0% for the residual period, while the discount rate used was 10% (after rounding and grossing up). The Management Board determined budgeted gross margin on the basis of historical data and its projections for market development. Weighted average growth rates are consistent with the forecasts presented in industry reports. The applied discount rate is a pre-tax rate that accounts for the specific threats of individual segments. No reasonable change in test assumptions would cause goodwill impairment.

Based on the impairment test of goodwill which was performed as at 31 December 2023, the Management Board concluded that there was no need to recognize goodwill impairment write-down.

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

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

The recoverable amount of the cash generating unit is determined on the basis of calculations of value in use. These calculations make use of the projections of five-year cash flows. Cash flows beyond the five-year period were estimated at a constant real level. The adopted growth rate does not exceed long-term average growth rate for the service industry, in which the cash generating unit operates. The calculations assumed an EBIT (operating profit) margin of between 8.6% and 12.0%, while the discount rate used was 11.0%. The Management Board determined the projected margin based on historical performance and projections (both its own and those of key management of the FBSerwis Group) about the future performance of the FBSerwis Group. No reasonable change in the test assumptions indicates a possible impairment of goodwill.

Based on the impairment test of the goodwill arising from the acquisition of the shares in FBSerwis SA, which was carried out as at 31 December 2023, the Management Board concluded that there was no need to recognize goodwill impairment write-down.

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

Test for impairment of goodwill on acquisition of shares in Zakład Przetwarzania Odpadów Zawisty Sp. z o.o.

For goodwill arising on the acquisition of shares in Zakład Przetwarzania Odpadów Zawisty Sp. z o.o. by FBSerwis SA, the cash-generating unit is the entire activity of this company.

The recoverable amount of the cash-generating unit is determined based on value-in-use calculations. These calculations use cash flow projections over a five-year period. Cash flows beyond the five-year period were estimated at a constant real level. The growth rate does not exceed the long-term average growth rate for the waste treatment industry in which the cash-generating unit operates. The calculation assumed an EBITDA (operating profit before interest, taxes, depreciation and amortization) margin of between 15% and 25.0%, while the discount rate used was 9.6%. The Management Board determined the projected margin based on historical performance and the projections of the FBSerwis Group's key management regarding the company's future performance. No reasonable change in the test assumptions indicates a possible impairment of goodwill.

Based on an impairment test of the goodwill arising on the acquisition of the shares in Zakład Przetwarzania Odpadów Zawisty Sp. z o.o. which was carried out as at 31 December 2023, the Management Board concluded that there was no need to recognize goodwill impairment write-down.

13. Investments in equity-accounted entities

	2023	2022
Opening balance	**2 405**	**2 270**
– of which goodwill	-	-
Share in profits / (losses)*	305	135
Dividend paid by associates	(53)	-
Closing balance	**2 657**	**2 405**
– of which goodwill	-	-

*) The share of profits/(losses) for the period also includes the part of the result for the previous year that was not consolidated in the year to which it relates. The Budimex Group's consolidated financial statements included preliminary financial data of the associate for the reporting period, which changed after the Group published its consolidated financial statements. In 2023, the share in the result of equity accounted entities was adjusted by PLN 150 thousand. In 2022, the share in the result of equity accounted entities was adjusted by PLN 9 thousand.

The list of associates as at 31 December 2023 and 31 December 2022:

Entity name	Type	Registered office	Share in the issued capital and in the number of votes (%)	
			31 December 2023	31 December 2022
Promos Sp. z o.o.	associate	Cracow / Poland	26.31%	26.31%

The selected financial data of the associate, Promos Sp. z o.o., as at 31 December 2023 and 31 December 2022 are as follows:

Promos Sp. z o.o.	2023	2022
Non-current assets	8 929	8 805
Current assets	6 181	7 460
Non-current liabilities	(1 725)	(2 076)
Current liabilities	(3 286)	(5 048)
Revenue	15 069	12 575
Profit (loss) from continuing operations	591	478
Profit (loss) after tax from discontinued operations	-	-
Other comprehensive income	-	-
Comprehensive income for the period	591	478
Dividend received from the associate	53	-

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

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

Promos Sp. z o.o.	**31 December 2023**	**31 December 2022**
Net assets	10 099	9 141
The Group's equity interest in the associate	26.31%	26.31%
Carrying amount of the Group's equity interest in the associate	**2 657**	**2 405**

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

	2023	**2022**
Share in profits of associates	305	135
Total	**305**	**135**

In the years 2022-2023, the Group's share in other comprehensive income of associates amounted to PLN 0.

As at 31 December 2023 and 31 December 2022, the Budimex Group had no share in the contingent assets and contingent liabilities of associates.

The Budimex Group is not involved in the active management of Promos Sp. z o.o.

The associate conducts property maintenance and property lease activities.

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

14. Financial assets and financial liabilities

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

		Note	31 December 2023	31 December 2022
FINANCIAL ASSETS				
Financial assets measured at amortized cost				
Retentions for construction contracts		28	159 357	166 513
Receivables from service concession arrangement		15	46 266	46 511
Valuation of construction contracts		26	477 383	532 484
Trade and other receivables*		16	1 212 259	861 295
Other financial assets (loans granted)		14.1	-	1 987
Financial assets at fair value through profit or loss (FVPL)				
Cash and cash equivalents	*level 2 of the fair value hierarchy according to IFRS 13*	18	3 900 290	3 249 369
Other financial assets (derivative financial instruments)	*level 2 of the fair value hierarchy according to IFRS 13*	14.2	49 301	8 641
Investments in equity instruments	*level 3 of the fair value hierarchy according to IFRS 13*	14.3	3 892	7 545
Balance at the end of the period			**5 848 748**	**4 874 345**
FINANCIAL LIABILITIES				
Financial liabilities measured at amortised cost				
Trade and other payables**		22	1 488 745	1 247 534
Retentions for construction contracts		28	471 012	448 002
Loans and borrowings and other external sources of finance		21	236 591	225 141
Other financial liabilities (liabilities due to deferred payment for shares)		14.4	9 235	13 603
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*	14.2	577	2 439
Balance at the end of the period			**2 206 160**	**1 936 719**

*except for the amounts of accrued income, taxation, subsidy, customs duty and social security debtors, and except for prepayments
**financial liabilities according to note 22

In the 12-month periods ended 31 December 2023 and 31 December 2022, there were no movements between Level 1 and Level 2 of the fair value hierarchy, and there were no movements from/ to Level 3 of this hierarchy.

Investments in equity instruments classified to Level 3 are measured at historical cost adjusted for impairment losses (see note 14.3).

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

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

For the period from 1 January 2023 to 31 December 2023

	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)	184 633	(1 016)	-	(7 339)	**176 278**
Foreign exchange gains /(losses)	(7 694)	(1 939)	-	17 871	**8 238**
Reversal/ (recognition) of impairment write-downs	-	(20 232)	-	-	**(20 232)**
Statute-barred liabilities written-off	-	-	-	2 495	**2 495**
Valuation gains/(losses)	43 617	2 887	(1 055)	5 267	**50 716**
Gains /(losses) on disposal/ realization of financial instruments	7 991	-	3 900	-	**11 891**
Total	**228 547**	**(20 300)**	**2 845**	**18 294**	**229 386**

For the period from 1 January 2022 to 31 December 2022

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

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

14.1 Loans granted

	2023	2022
Opening balance	**1 987**	**-**
– loan granted	-	1 910
– accrued interest (note 33)	-	77
– consolidation of companies that have not yet been consolidated	(1 987)	-
Closing balance	**-**	**1 987**
of which:		
– long-term	-	-
– short-term	-	*1 987*

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

The fair value of loans granted approximated their carrying amounts.

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

14.2 Derivative financial instruments

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

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

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

	2023	2022
Gains/ (losses) on valuation of FX forward contracts and currency options	44 034*	5 223**
Gains / (losses) on realisation of FX forward contracts and currency options	11 703	(1 350)
Total result on derivatives recognised in operating activities (note 32)	**55 737**	**3 873**
Gains/ (losses) on valuation of IRS contracts	(1 472)*	2 147**
Gains/ (losses) on realisation of IRS contracts	578	295
Total result on derivatives recognised in financing activities (note 33)	**(894)**	**2 442**

** the difference of PLN 40 thousand compared to the year-end change in financial assets and liabilities due to derivatives valuation results from the settlement of the option premium in this amount*

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

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

The fair value of the transactions concluded by Group companies and open as at 31 December 2023 and 31 December 2022 is presented in the table below:

	Financial assets arising from derivatives valuation		**Financial liabilities arising from derivatives valuation**	
	31 Dec 2023	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**
Currency options:	**13 874**	**2 397**	**-**	**-**
– up to 1 year	*8 679*	*33*	-	-
– 1 – 2 years	*5 195*	*1 392*	-	-
– 3 – 5 years	-	*972*	-	-
FX forward contracts	**35 024**	**4 369**	**577**	**2 439**
– up to 1 year	*23 509*	*3 831*	*577*	*2 223*
– 1 – 2 years	*11 515*	*391*	-	*43*
– 3 – 5 years	-	*147*	-	*173*
Interest rate swaps (IRSs)	**403**	**1 875**	**-**	**-**
– up to 1 year	*223*	-	-	-
– 1 – 2 years	*58*	*971*	-	-
– 3 – 5 years	*74*	*410*	-	-
– above 5 years	*48*	*494*	-	-

The total absolute nominal value of FX Forward contracts as at 31 December 2023 was EUR 94 330 thousand and as at 31 December 2022 - EUR 94 780 thousand.

The forward selling/buying rates for EUR-based transactions open at 31 December 2023 ranged between EUR/PLN 4.3164 - 5.3815 (at 31 December 2022 - between EUR/PLN 4.6457 - 5.3815). As at 31 December 2023, EUR-based FX Forward contracts are to be settled within 25 to 669 days (as at 31 December 2022 - within 26 to 1 034 days).

The value of purchased currency options as at 31 December 2023 was EUR 47 350 thousand (as at 31 December 2022 - EUR 48 000 thousand). As at 31 December 2023 and 31 December 2022, the exchange rate for open currency options was EUR/PLN 4.690 - 4.6920. As at 31 December 2023, Euro-based currency options are to be settled within 25 to 669 days (as at 31 December 2023 – within 299 to 1 034 days).

As at 31 December 2023 and 31 December 2022, the Group had open IRS transactions, under which it would pay a fixed rate and receive a 3M WIBOR floating rate. The nominal value of individual IRS transactions did not exceed PLN 10 000 thousand. The longest maturity date for said transactions falls on 30 September 2030.

As at 31 December 2023 and 31 December 2022, the Group companies did not apply hedge accounting.

14.3 Investments in equity instruments

Investments in equity instruments comprise solely shares in the companies.

	2023	**2022**
Opening balance	**7 545**	**8 670**
Increases:	**101**	**626**
– increase in/ contribution to the issued capital of non-consolidated entities	101	626
Decreases	**(3 754)**	**(1 751)**
– inclusion in consolidation	(242)	(1 622)
– impairment write-downs (note 33)	-	(129)
– liquidation of an associate	(3 512)	-
Closing balance	**3 892**	**7 545**
of which:		
– long-term	*3 892*	*7 545*
– short-term	-	-

On 12 July 2023, WMSerwis SA was registered in the National Court Register. Budimex SA took up 100% of shares in this company. The amount of contributed issued capital, including capitalised taxes, amounted to PLN 101 thousand.

Due to the commencement of significant operating activities by Budimex A Sp. z o.o., Budimex F Sp. z o.o., Budimex O Sp. z o.o., Budimex P Sp. z o.o. and Budimex R Sp. z o.o., in 2023 these entities were included in consolidation and thus the investments in capital instruments decreased by a total of PLN 242 thousand.

During 2023, Autostrada Południe SA, in which Budimex SA held 5.05% of shares, was liquidated.

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

The Group does not intend to dispose of its remaining investments in equity instruments in the next 12 months. Investments in equity instruments have been classified as financial assets at fair value through profit or loss. As it is not possible to determine the fair value of these assets (they are not listed), it was assumed that the most reasonable value for their recognition is carrying amount.

14.4 Liabilities due to deferred payment for shares

As at 31 December 2023, the Budimex Group reported liabilities due to deferred payment for shares in Magnolia Energy Sp z o.o. and Zakład Przetwarzania Odpadów Zawisty Sp. z o.o. in the amount of PLN 9 235 thousand, of which PLN 1 012 thousand was recognised under short-term other financial liabilities and PLN 8 223 thousand as long-term other financial liabilities. The liabilities were measured at amortised cost.

As at 31 December 2022, the Budimex Group reported liabilities due to deferred payment for shares in Magnolia Energy Sp z o.o. and Zakład Przetwarzania Odpadów Zawisty Sp. z o.o. As at 31 December 2023, this liability amounted to PLN 13 603 thousand, of which PLN 12 591 thousand was presented as a long-term liability and PLN 1 012 thousand as a short-term liability. During 2023, a portion of the liability of PLN 5 000 thousand was repaid.

15. Receivables from service concession arrangements

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

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

Movements in receivables from service concession arrangements

	2023	2022
Opening balance	**46 511**	**46 638**
Increases:	**2 863**	**2 875**
– valuation of financial assets at amortised cost (note 33)	2 863	2 875
Decreases	**(3 108)**	**(3 002)**
– repayments	(3 108)	(3 002)
Closing balance	**46 266**	**46 511**
of which:		
– long-term	*46 266*	*46 511*

In 2023 and 2022, revenue and gains/ (losses) from construction services under realised service concession arrangements did not occur.

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

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

16. Trade and other receivables

	31 December 2023	31 December 2022
Long-term trade and other receivables		
Prepayments and accruals	26 718	24 441
Long-term trade and other receivables, net	**26 718**	**24 441**
Impairment write-down against long-term receivables	104	112
Long-term trade and other receivables, gross	**26 822**	**24 553**
Short-term trade and other receivables		
Trade receivables	1 188 212	837 430
Advance payments made	23 331	36 686
Taxation, subsidy, customs duty, social security, health insurance and other debtors	28 727	25 871
Prepayments and accruals	41 941	28 663
Other receivables	24 047	23 865
Short-term trade and other receivables, net	**1 306 258**	**952 515**
Impairment write-down against receivables	130 921	110 524
Short-term trade and other receivables, gross	**1 437 179**	**1 063 039**
Total trade and other receivables, net	**1 332 976**	**976 956**

Prepayments mainly include guarantee and insurance costs paid in advance.

No credit risk concentration in respect of trade receivables was identified due to the fact that the main customers of the Group are government administration offices or state-owned companies implementing government infrastructure investment programs. Trade receivables from the 5 contractors with the largest balances as at 31 December 2023 amounted to a total of PLN 630 035 thousand and accounted for 53.02% of the total value of trade receivables:

31 December 2023	balance	% share
Contractor 1	246 142	20,71%
Contractor 2	175 111	14,74%
Contractor 3	92 091	7,75%
Contractor 4	65 053	5,47%
Contractor 5	51 638	4,35%
Other	558 177	46,98%
Total trade receivables	**1 188 212**	**100,00%**

Trade receivables from the 5 contractors with the largest balances as at 31 December 2022 amounted to a total of PLN 463 108 thousand and accounted for 55.30% of the total value of trade receivables:

31 December 2022	balance	% share
Contractor 1	172 727	20,63%
Contractor 2	175 133	20,91%
Contractor 3	79 467	9,49%
Contractor 4	20 684	2,47%
Contractor 5	15 097	1,80%
Other	374 322	44,70%
Total trade receivables	**837 430**	**100,00%**

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

As at 31 December 2023 and 31 December 2022, no securities or collaterals were established on these assets.

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

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

	2023	2022
Impairment write-downs against receivables - opening balance	**110 636**	**99 117**
Charged to other operating expenses (note 32)	36 316	22 240
Reversed to other operating income (note 32)	(16 084)	(5 522)
Utilised	(1 078)	(5 242)
Foreign exchange differences	(151)	43
Change in Group composition (note 7.1)	1 386	-
Impairment write-downs against receivables - closing balance	**131 025**	**110 636**

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

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

The Budimex Group analyses credit risk for trade receivables, by the following groups of amounts receivable:

1. public investor receivables from main sales
2. private investor receivables from main sales
3. other receivables from other contractors from re-invoiced raw materials, re-invoiced costs and re-invoiced owner's representation/ project supervisor *(wykonawstwo zastępcze)* expenses etc.

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

1. In the analysed period, on average more than 87% of sales was realised to the public sector companies, including in a significant part to the state-owned companies. Given the fact that the Group does not does not assume any significant change in the realized sales structure, and the level of impairment write-downs against past due receivables from these entities was approx. 0.2%, the credit risk for this portfolio was assessed as insignificant.

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

2. Receivables from private contractors incur the highest credit risk. However, the preventive credit risk control policy applied by the Budimex Group minimizes the level of non-performing receivables also in this part of the portfolio The average for the last 5 years shows that the level of impairment write-downs approximated 0.2% of portfolio receivables.
3. Receivables from other contractors incur higher credit risk. However, due to the their marginal share in total receivables (of approx. 7.2%, and approx. 0.6% share in total sales) and the adopted policy for their valuation and revaluation at the time of origination based on expected cash flows and held securities (guarantees and retentions to be set-off against), they do not have any significant impact on risk assessments in the future.

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

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

As at 31 December 2023, all overdue long- and short-term other receivables and retentions by customers in the amount of PLN 38 237 thousand were classified to the category of receivables whose credit risk increased significantly (as at 31 December 2022 – the balance of this item was PLN 42 576 thousand).

As at 31 December 2023, the total impairment write-down in the amount of expected credit losses for receivables and retentions by customers was PLN 131 025 thousand (PLN 110 636 thousand as at 31 December 2022).

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

Ageing analysis of trade receivables

	31 December 2023	31 December 2022
Trade receivables due and receivable in:		
- up to 1 month	994 633	451 687
- 1 – 3 months	105 933	204 819
- 3 -6 months	1 550	-
- 6 months – 1 year	-	-
- above 1 year	-	-
- overdue receivables	178 884	248 984
Trade receivables, gross	**1 281 000**	**905 490**
Impairment write-downs	92 788	68 060
Trade receivables, net	**1 188 212**	**837 430**

The Group's exposure to credit risk in relation to trade receivables as at 31 December 2023 is presented in the table below:

	Short-term trade receivables as at 31 December 2023						
	current	overdue for					Total
		1-30 days	31-90 days	91-180 days	181-365 days	>365 days	
Risk of default*	0.43%	0.33%	17.30%	27.78%	97.48%	61.72%	
Gross value of risk-exposed receivables (gross value at risk)	1 102 116	37 054	6 665	8 564	17 509	109 092	1 281 000
ECL allowance	4 732	122	1 153	2 379	17 067	67 335	92 788

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

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

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

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

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

17. Inventories

	31 December 2023	31 December 2022
Raw materials - own	607 527	743 724
Semi-finished goods and work in progress – own	143	54
Goods for resale	307	-
Inventories net value - closing balance	**607 977**	**743 778**
Inventory impairment write-downs	7 688	7 688
Inventories gross value - closing balance	**615 665**	**751 466**

Inventory impairment write-downs

	2023	2022
Inventory impairment write-downs - opening balance	**7 688**	**7 688**
Inventory impairment write-downs – closing balance	**7 688**	**7 688**

As at 31 December 2023 and 31 December 2022, no inventories were pledged as collaterals.

In the years 2022-2023, no inventories were financed by loans.

As at 31 December 2023 and 31 December 2022, no inventories were to be utilised or sold in the period of more than 12 months.

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

18. Cash and cash equivalents

	31 December 2023	31 December 2022
Cash on hand	117	209
Cash at bank	3 900 173	3 249 160
Total cash and cash equivalents	**3 900 290**	**3 249 369**
Cash and cash equivalents of restricted use	(22 396)	(27 959)
Cash recognised in the statement of cash flows	**3 877 894**	**3 221 410**

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

	31 December 2023	31 December 2022
Cash of the consortia in the portion attributable to other consortium members	-	559
Cash on the split payment accounts	19 200	25 187
Cash and cash equivalents serving as loan collateral (note 37)	1 870	1 537
Other	1 326	676
Total cash and cash equivalents of restricted use	**22 396**	**27 959**

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 of 5-181 days, with an average effective interest rate as at 31 December 2023 of 5.3% p. a. for PLN-based deposits (31 December 2022: 7.01% p.a. for PLN-based deposits) and 2.68% p.a. for EUR-based deposits (31 December 2022: 1.29% p.a. for EUR-based deposits). The average maturity for PLN-based deposits is 68 days (31 December 2022: 46 days) and for EUR-based deposits is 17 days (31 December 2022: 13 days).

In 2023, the Group acquired cash and cash equivalents of PLN 4 825 thousand following guarantee realization (2022: PLN 2 163 thousand).

19. Equity

At the date of transition to IFRSs, the Group adjusted the value of issued capital and of share premium for the period, in which the Polish economy was hyperinflationary. The effects of the restatement (translation) and reconciliation of balances shown in the books of account and corporate records of Group companies as at 31 December 2023 and 31 December 2022 to the balances recognised in the financial statements are presented in the table below.

Issued capital	31 December 2023	31 December 2022
Issued capital as per books of account	**127 650**	**127 650**
Restatement of issued capital due to hyperinflation	18 198	18 198
Issued capital as per financial statements	**145 848**	**145 848**

Share premium	31 December 2023	31 December 2022
Share premium as per books of account	78 119	78 119
Restatement of share premium due to hyperinflation	2 080	2 080
Share premium as per financial statements	**80 199**	**80 199**

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

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

The issued capital of the Parent Company consists of 25 530 098 shares with a total value of PLN 127 650 thousand. The structure of the issued capital of the Parent Company as at 31 December 2023 is as follows:

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

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

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

Other reserves	31 December 2023	31 December 2022
Statutory	42 550	42 550
Created in accordance with Articles of Association, in excess of statutory (minimum) – revaluation reserve	4 164	4 164
Actuarial gains/ losses (note 23, 24)	(859)	999
Share-based payments (note 38)	7 171	7 171
Other	1 529	1 529
Total	**54 555**	**56 413**

Retained earnings (losses)	31 December 2023	31 December 2022
Retaine earnings representing reserve capital	509 546	434 389
Current year result	738 196	534 443
Total	**1 247 742**	**968 832**

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

20. Equity attributable to non-controlling interests

	2023	2022
Balance at the beginning of the period	**41 071**	**41 767**
– share in profit/(loss) during the year	9 095	14 734
– share in consolidation adjustments	(1 226)	(1 048)
– acquisition of shares by non-controlling interests in a newly incorporated company	3 920	-
– declared dividend to non-controlling interests	(13 377)	(14 382)
Balance at the end of the period	**39 483**	**41 071**

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

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

As at 31 December 2023 and 31 December 2022, the non-controlling interests accounted for 49.00% of the issued capital and the number of votes at the General Meeting of Budimex Parking Wrocław Sp. z o.o.

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

Budimex Parking Wrocław Sp. z o.o.	2023	2022
Statement of financial position		
Non-current assets	46 543	48 405
Current assets	4 141	4 428
Non-current liabilities	(26 037)	(28 341)
Current liabilities	(2 239)	(3 064)
Statement of comprehensive income		
Revenue	8 487	9 166
Profit (loss) from continuing operations	2 280	4 744
Profit (loss) after tax from discontinued operations	-	-
Other comprehensive income	-	-
Comprehensive income for the period	2 280	4 744
Dividends paid to non-controlling interests of Budimex Parking Wrocław Sp. z o.o.	882	980

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

As at 31 December 2023 and 31 December 2022, the Budimex Group held 80% of shares in FBSerwis Kamieńsk Sp. z o.o., which is part of the FBSerwis SA Group

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

FBSerwis Kamieńsk Sp. z o.o.	2023	2022
Statement of financial position		
Non-current assets	69 112	72 637
Current assets	175 564	136 217
Non-current liabilities	(48 226)	(47 191)
Current liabilities	(118 920)	(73 198)
Statement of comprehensive income		
Revenue	311 768	273 756
Profit (loss) from continuing operations	51 112	62 047
Profit (loss) after tax from discontinued operations	-	-
Other comprehensive income	-	-
Comprehensive income for the period	51 112	62 047
Dividends paid to non-controlling interests of FBSerwis Kamieńsk Sp. z o.o.	12 740	13 157

Non-controlling interests in BXF Energia Sp. z o.o.

In 2023, Budimex SA, together with a partner from the Ferrovial Group, established BXF Energia, in which it held 51% of shares as at 31 December 2023. The total value of the contributed issued capital and reserve capital amounted to PLN 8 000 thousand, of which PLN 3 920 thousand was allocated to non-controlling interests.

The selected financial data of BXF Energia Sp. z o.o. were as follows:

BXF Energia Sp. z o.o.	2023
Statement of financial position	
Non-current assets	-
Current assets	7 484
Non-current liabilities	-
Current liabilities	(3 978)
Statement of comprehensive income	
Revenue	129
Profit (loss) from continuing operations	(4 579)
Profit (loss) after tax from discontinued operations	-
Other comprehensive income	-
Comprehensive income for the period	(4 579)
Dividends paid to non-controlling interests of BXF Energia Sp. z o.o.	-

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

21. Loans and borrowings and other external sources of finance

	31 December 2023	31 December 2022
	Carrying amount	
Non-current		
Bank loans and borrowings	68 272	31 497
Lease liabilities	104 100	117 170
Interest accrued on long-term loans and borrowings	33	39
	172 405	**148 706**
Current		
Bank loans and borrowings	6 317	4 873
Lease liabilities	57 823	71 550
Interest accrued on short-term loans and borrowings	46	12
	64 186	**76 435**
Total	**236 591**	**225 141**

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

	31 December 2023		31 December 2022	
	Carrying amount	Contractual undiscounted cash flows *	Carrying amount	Contractual undiscounted cash flows *
– up to 1 year	6 363	11 718	4 885	6 985
– 1-3 years	12 274	21 779	10 171	13 658
– 3-5 years	9 865	17 899	5 336	7 861
– above 5 years	46 166	62 191	16 029	18 981
	74 668	**113 587**	**36 421**	**47 485**

*) comprise both principal and interest payments; as at 31 December 2023 and 31 December 2022, the amounts expressed in foreign currency were translated into Polish zloty at the NBP period-end exchange rates, and interest payments were calculated using the interest rates prevailing in the last interest period before 31 December 2023 and 31 December 2022.

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

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

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

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

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

	31 December 2023	31 December 2022
	Outstanding amount	
Long-term portion	68 305	31 536
PLN (WIBOR)	*64 469*	*24 628*
PLN (fixed interest rate)	*3 836*	*6 908*
Short-term portion	6 363	4 885
PLN (WIBOR)	*3 291*	*1 714*
PLN (fixed interest rate)	*3 072*	*3 171*
	74 668	**36 421**

Risk of interest rate fluctuations

The effective interest rates as at 31 December 2023 and 31 December 2022 were as follows:

	31 December 2023			31 December 2022	
	PLN	CZK	EUR	PLN	EUR
Bank loans and borrowings	3.50% - 8.23%	-	-	3.50% - 7.30%	-
Lease liabilities	7.20% - 8.29%	8.40% - 8.51%	3.53% - 5.26%	7.00% - 8.63%	0.83%

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

Lease liabilities

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

Leased assets were made available for the period from 13 months (construction site offices) to 1 200 months (perpetual usufruct). After the completion of the original lease term and after the fulfilment of their obligations, the Group companies will have the right to acquire some of the leased assets for the price equating their residual value.

The performance of some of the obligations under lease contracts is secured by blank promissory notes issued by the Group companies, together with a written authorisation for their drawing.

Ageing analysis of lease liabilities

31 December 2023	**Present value of lease payments***	**Contractual undiscounted cash flows**
– less than 1 year	57 823	62 256
– 1 – 3 years	54 118	59 677
– 3 – 5 years	15 622	18 301
– above 5 years	34 360	56 766
	161 923	**197 000**

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

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

22. Trade and other payables

	31 December 2023	**31 December 2022**
Short-term trade and other payables		
Financial liabilities		
Trade liabilities	166 009	193 495
Un-invoiced costs	848 823	645 500
Payroll	15 051	18 193
Accrued expenses, of which:	458 862	390 101
- unused annual leave	*77 052*	*69 566*
- employee bonus	*381 810*	*320 535*
Dividend payable	-	245
Total	**1 488 745**	**1 247 534**
Non-financial liabilities		
Taxation and social security creditors	214 130	201 478
Accrued expenses	58 774	61 205
- costs of construction contracts completion	*53 298*	*57 090*
- other	*5 476*	*4 115*
Other liabilities	20 357	6 739
Total	**293 261**	**269 422**
Total short-term trade and other payables	**1 782 006**	**1 516 956**
Total trade and other payables	**1 782 006**	**1 516 956**

All trade and other payables as at 31 December 2023 and 31 December 2022 were recognised under current liabilities as they will be settled in the course of the Group's normal operating cycle.

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

23. Income tax

	31 December 2023	31 December 2022
Deferred tax assets		
– to be realised after 12 months	287 634	240 351
– to be realised within 12 months	693 003	636 456
Total	**980 637**	**876 807**
Offsetting	(170 211)	(191 771)
Deferred tax assets, after set-off	**810 426**	**685 036**
Deferred tax liabilities		
– to be settled after 12 months	47 175	50 968
– to be settled within 12 months	124 669	141 952
Total	**171 844**	**192 920**
Offsetting	(170 211)	(191 771)
Deferred tax liabilities, after set-off	**1 633**	**1 149**

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

	2023	2022
Balance at the beginning of the year	**683 887**	**641 543**
Credit/ (charge) to financial result	127 006	44 701
Credit/ (charge) to other comprehensive income	436	(724)
Change in Group composition (note 7.1)	(2 541)	(1 631)
Other	5	(2)
Balance at the end of the year	**808 793**	**683 887**

	2023	2022
Current tax	328 854	183 554
Deferred tax	(127 006)	(44 701)
Adjustments to prior periods current income tax	(18 301)	(38 048)
Tax expense/ (tax income)	**183 547**	**100 805**

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

	2023	2022
Gross profit/ (loss)	**929 612**	**648 934**
Shares in (profits)/ losses of equity accounted entities	(305)	(135)
Pre-tax profit/ (loss)	**929 307**	**648 799**
Tax calculated using domestic tax rates	176 568	123 272
Differences in taxation of revenues of foreign operations	(523)	(720)
Adjustments to prior periods current income tax	(18 301)	(38 048)
Tax effects of permanent differences between gross profit and taxable income	9 387	346
Utilisation of previously unrecognized tax losses or prior period deductible temporary differences	(554)	(13 736)
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	14 499	27 174
Effect of application of double taxation treaties in foreign markets	1 168	-
Tax expense/ (tax income) calculated with respect to industrial and commercial business operations in Germany	1 585	2 730
Other	(282)	(213)
Tax expense/ (tax income)	**183 547**	**100 805**
Effective tax rate	*19.75%*	*15.54%*

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

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

	Deferred tax assets as at 1 January 2022	Recognition/ (utilisation) of deferred tax asset through profit or loss	Recognition/ (utilisation) of deferred tax asset through other comprehensive income	Change in Group composition	Other changes*	Deferred tax assets as at 31 December 2022	Recognition/ (utilisation) of deferred tax asset through profit or loss	Recognition/ (utilisation) of deferred tax asset through other comprehensive income	Change in Group composition	Other changes	Deferred tax assets as at 31 December 2023
Valuation of construction contracts and provision for contract losses	399 395	40 971	-	-	-	440 366	42 856	-	-	-	483 222
Contract costs related to accrued income	119 224	(28 579)	-	-	-	90 645	(12 287)	-	-	-	78 358
Liabilities – un-invoiced costs	53 144	(4 901)	-	105	(48)	48 300	18 819	-	-	-	67 119
Tax loss	3 479	1 926	-	-	-	5 405	(1 916)	-	-	-	3 489
Provisions for warranty repairs	111 236	3 421	-	-	-	114 657	23 759	-	-	-	138 416
Other provisions for liabilities	33 485	(11 688)	-	-	(39)	21 758	22 578	-	-	-	44 336
Receivables - impairment write-downs	6 212	1 275	-	-	(15)	7 472	1 924	-	-	-	9 396
Employee bonus	53 069	7 218	-	-	(27)	60 260	11 278	-	-	-	71 538
Unused annual leave	9 799	2 960	-	33	(32)	12 760	1 434	-	-	-	14 194
Discount of retentions for construction contracts	1 023	142	-	-	-	1 165	(5)	-	-	-	1 160
Forward contracts valuation	1 058	(591)	-	-	(3)	464	(355)	-	-	-	109
Retirement benefits and similar obligations	2 715	239	(724)	-	(20)	2 210	206	436	-	-	2 852
Provision for land rehabilitation	9 625	956	-	-	-	10 581	360	-	-	-	10 941
Impairment write-downs against long-term financial assets	2 671	(138)	-	-	457	2 990	(290)	-	-	-	2 700
Lease liabilities	29 533	(1 062)	-	422	-	28 893	(3 347)	-	-	-	25 546
Costs to complete construction contracts in progress	10 041	111	-	-	-	10 152	(209)	-	-	-	9 943
Other	10 804	8 198	-	2	(275)	18 729	(1 457)	-	41	5	17 318
Total	**856 513**	**20 458**	**(724)**	**562**	**(2)**	**876 807**	**103 348**	**436**	**41**	**5**	**980 637**
Offsetting	(214 140)					(191 771)					(170 211)
After set-off (recognised in the statement of financial position)	**642 373**					**685 036**					**810 426**

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

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

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

	Deferred tax liabilities as at 1 January 2022	Recognition / (utilisation) of deferred tax liability through profit or loss	Recognition / (utilisation) of deferred tax liability through other comprehensive income	Change in Group composition	Other changes*	Deferred tax liabilities as at 31 December 2022	Recognition / (utilisation) of deferred tax liability through profit or loss	Recognition / (utilisation) of deferred tax liability through other comprehensive income	Change in Group composition	Other changes*	Deferred tax liabilities as at 31 December 2023
Valuation of construction contracts	139 810	(33 252)	-	-	1	106 559	(17 925)	-	-	-	88 634
Forward transactions valuation	302	595	-	-	(14)	883	7 873	-	-	-	8 756
Discount of retentions for construction contracts	4 700	2 233	-	-	-	6 933	1 001	-	-	-	7 934
Receivables – accrued interest	674	3 695	-	-	(133)	4 236	2 096	-	-	-	6 332
Right to waste landfilling	7 424	(946)	-	-	-	6 478	(1 212)	-	-	-	5 266
Waste processing permit	14 018	(1 155)	-	1 391	-	14 254	(1 227)	-	-	-	13 027
Revenue from un-invoiced trade receivables	2 683	(779)	-	-	-	1 904	(1 904)	-	-	-	-
Leased assets	35 621	(905)	-	490	-	35 206	(2 874)	-	-	-	32 332
Other	9 738	6 271	-	312	146	16 467	(9 486)	-	2 582	-	9 563
Total	**214 970**	**(24 243)**	**-**	**2 193**	**-**	**192 920**	**(23 658)**	**-**	**2 582**	**-**	**171 844**
Offsetting	(214 140)					(191 771)					(170 211)
After set-off (recognised in the statement of financial position)	**830**					**1 149**					**1 633**

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

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

As at 31 December 2023, 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 175 698 thousand (the value of deferred tax asset – PLN 33 383 thousand, respectively) and related to impairment write-downs against receivables, losses incurred by foreign branches and provisions on one of the construction contracts. The reason for not recognising a deferred tax asset is:

- in the case of impairment write-downs against receivables - the low probability of the receivables becoming uncollectible under Polish tax law;

- in the case of provisions for one of the construction contracts - the inability to recognise these provisions as tax deductible costs;

- in the case of tax losses incurred by foreign branches (foreign operations) - uncertainty about future taxable income generated by these entities.

The carry-forward of unused tax losses expire in 2029 and the remaining deductible temporary differences expire in 2024. As at 31 December 2022, the deductible temporary differences for which a deferred tax asset was *not* recognised in the statement of financial position amounted to PLN 175 702 thousand (deferred tax asset - PLN 33 383 thousand). The reason for not recognising the deferred tax asset was the low probability of the receivables being uncollectible under Polish tax law and the inability to recognise the provisions as tax-deductible costs.

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

24. Liabilities from retirement benefits and similar obligations

As at 31 December 2023, employees of the Budimex Group benefited from two types of employee benefits:

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

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

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

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

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

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

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

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

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

	31 December 2023	31 December 2022
Retirement/ pension benefits, of which:	**15 812**	**11 570**
– present value of the obligation at the reporting date	15 812	11 570
Posthumous benefits, of which:	**93**	**78**
– present value of the obligation at the reporting date	93	78
Total retirement benefits and similar obligations	**15 905**	**11 648**
of which:		
– long-term portion	*13 366*	*10 070*
– short-term portion	*2 539*	*1 578*

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

	31 December 2023	31 December 2022
Discount rate	4.70% – 5.78%	5.70% – 7.25%
Expected future staff turnover	0.0% – 19.0%	0.0% – 23.2%
Forecast salary growth rate	5.0%– 8.0%	5.0%– 10.0%

Assumptions regarding life expectancy are based on the 2022 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 2023.

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

Retirement and pension benefits

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

	2023	2022
Present value of liability at the beginning of the period	**11 570**	**14 117**
Interest expense	760	381
Current service costs	1 406	1 468
Benefits paid	(960)	(580)
Actuarial (gains)/losses, of which arising from:	2 289	(3 816)
- ex post adjustments to actuarial assumptions	*432*	*78*
- change in demographic assumptions	*584*	*(491)*
- change in financial assumptions	*1 273*	*(3 403)*
Change in Group composition (note 7.1)	747	-
Present value of liability at the end of the period	**15 812**	**11 570**

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

	2023	2022
Service costs	1 406	1 468
Interest expense	760	381
Costs recognised in the profit and loss account (note 31)	**2 166**	**1 849**
of which, employee allowances recognised in the profit and loss account under the following items:		
- cost of finished goods, goods for resale and raw materials sold	*487*	*(423)*
- administrative expenses	*1 679*	*2 272*
Actuarial (gains)/ losses	2 289	(3 816)
(Gains)/ costs recognised in other comprehensive income	**2 289**	**(3 816)**

Posthumous benefits

Posthumous benefits are paid to employee family upon employee demise. The amount of the posthumous benefit due and payable is the product of the base for benefit calculation at the date of entitlement (i.e. at the date the right to receive benefit payment vests) and the corresponding benefit multiplier, increasing with the years of service of the employee concerned. In the years 2022 - 2023, liability under posthumous benefits was recognised only in FBSerwis SA and its subsidiary companies. In other Budimex Group companies employees were covered by life insurance policy.

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

	2023	2022
Present value of liability at the beginning of the period	**78**	**309**
Interest expense	5	9
Current service costs	20	58
Past service costs	-	(301)
Benefits paid out	(15)	-
Actuarial (gains)/losses, of which:	5	3
- ex-post adjustments to actuarial assumptions	*4*	*(28)*
- change in demographic assumptions	*(8)*	*33*
- change in financial assumptions	*9*	*(2)*
Present value of liability at the end of the period	**93**	**78**

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

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

	2023	2022
Current service costs	20	58
Past service costs	-	(301)
Interest expense	5	9
Costs recognised in the profit and loss account (note 31)	**25**	**(234)**
of which, employee allowances recognised in the profit and loss account under the following items:		
- cost of finished goods, goods for resale and raw materials sold	*25*	*(1 123)*
- administrative expenses	*-*	*889*
Actuarial (gains)/ losses	5	3
(Gains)/ costs recognised in other comprehensive income	**5**	**3**

Sensitivity analysis

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

Analysis of sensitivity to fluctuations in interest rates

An increase in the assumed discount rate by 1 percentage point would result in a decrease in liability from retirement benefits and similar obligations by PLN 1 350 thousand, while a decrease in the assumed discount rate by 1 percentage point would bring about an increase in said liability by PLN 1 591 thousand.

Analysis of sensitivity to fluctuations in salary growth rates

An increase in the assumed salary growth rate by 1 percentage point would result in an increase in liability from retirement benefits and similar obligations by PLN 1 730 thousand, while a decrease in the assumed remuneration growth rate by 1 percentage point would bring about a decrease in liability from retirement benefits and similar obligations by PLN 1 490 thousand.

Analysis of sensitivity to staff turnover

An increase in the assumed staff turnover by 1 percentage point would result in a decrease in liability from retirement benefits and similar obligations by PLN 604 thousand, while a decrease in the assumed staff turnover by 1 percentage point would bring about an increase in said liability by PLN 660 thousand.

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

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

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

25. Provisions for liabilities and other charges

	Litigation	Penalties and other sanctions	Warranty repairs	Recultiva-tion	Other	Total
Balance as at 1 January 2022	**31 477**	**175 930**	**617 609**	**49 920**	**44 036**	**918 972**
Creation of additional provisions	9 434	26 424[1]	89 848	6 590	10 003[2]	142 299
Reversal of unused provisions	(122)	(19 086)[3]	(25 528)	(1 558)	(2 081)[4]	(48 375)
Provisions utilisation	(663)	(2 143)	(45 965)	-	-	(48 771)
Change in Group composition	2	-	6	-	(1)	7
Balance as at 31 December 2022	**40 128**	**181 125**	**635 970**	**54 952**	**51 957**	**964 132**
Balance as at 1 January 2023	**40 128**	**181 125**	**635 970**	**54 952**	**51 957**	**964 132**
Creation of additional provisions	4 093	184 132[5]	180 216	4 235	3 078[6]	375 754
Reversal of unused provisions	(8 311)	(36 896)[7]	(40 458)	(2 343)	(672)[8]	(88 680)
Provisions utilisation	(205)	(406)	(36 661)	-	(967)	(38 239)
Change in Group composition (note 7.1)	-	-	843	-	-	843
Other changes	(7)	3 486[9]	-	-	(3 510)[9]	(31)
Balance as at 31 December 2023	**35 698**	**331 441**	**739 910**	**56 844**	**49 886**	**1 213 779**

1) of which PLN 25 143 thousand was recognized as a decrease in net revenue from the sale of products and services and goods for resale and raw materials;
2) of which PLN 98 thousand was recognized in finance costs, PLN 5 842 thousand in the cost of products and services and goods for resale and raw materials sold and PLN 577 thousand as administrative expenses
3) of which PLN 19 010 thousand was recognized as an increase in net revenue from sales of products and services, goods for resale and materials
4) of which PLN 2 081 thousand was recognized as a decrease in the cost of products, services, goods for resale and raw materials sold
5) of which PLN 155 488 thousand was recognised as a decrease in net revenue from sales of products, services, goods for resale and raw materials
6) PLN 123 thousand was recognized in finance costs, PLN 1 750 thousand in the cost of products and services and goods for resale and raw materials sold, PLN 1 205 thousand in administrative expenses
7) PLN 36 896 thousand was recognised as an increase in net revenue from sales of products and services, goods for resale and raw materials
8) PLN 498 thousand was recognised as a decrease in the cost of products, services, goods for resale and raw materials sold and PLN 174 thousand as a decrease in finance costs
9) PLN 3 486 thousand was reclassified from other provisions to provisions for penalties and other sanctions.

The creation/(reversal) of provisions for litigation (court cases), penalties and sanctions, and other provisions was recognised under other operating expenses (note 32), while creation/ (reversal) of provision for warranty repairs and provision for land rehabilitation – under operating expenses, except for the transactions described in the footnotes to the above table.

The most significant court cases, to which the Group companies are parties, were described in point 5.7 of the Director's Report on activities for 2023.

The structure of total provisions is as follows:

	31 December 2023	31 December 2022
Non-current	656 385	626 314
Current	557 394	337 818
	1 213 779	**964 132**

26. Construction contracts

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

Selected consolidated data – statement of financial position

	31 December 2023	31 December 2022
Assets		
Valuation of construction contracts	477 383	532 484
Liabilities		
Valuation of construction contracts	1 767 989	1 493 517
Provision for losses on construction contracts	771 947	803 263
Advance payments received for construction contracts in progress (note 27)	459 191	573 786

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

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

27. Deferred income

Deferred income comprises:

	31 December 2023	31 December 2022
Advance payments received for construction contracts in progress (note 26)	459 191	573 786
Other	10 607	4 872
Total	**469 798**	**578 658**

All advance payments received and other deferred income as at 31 December 2023 and 31 December 2022 were recognised under current liabilities as they will be settled in the Group's normal operating cycle.

28. Retentions for construction contracts

	31 December 2023	31 December 2022
Retained by customers – to be returned after 12 months	67 631	83 393
Retained by customers – to be returned within 12 months	91 726	83 120
Total retentions for construction contracts retained by customers	**159 357**	**166 513**
Received from suppliers – to be returned after 12 months	244 196	229 963
Received from suppliers – to be returned within 12 months	226 816	218 039
Total retentions for construction contracts received from suppliers	**471 012**	**448 002**

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

	31 December 2023	31 December 2022
Discount of long-term retentions for construction contracts retained by customers	6 106	6 130
Discount of long-term retentions for construction contracts received from suppliers	41 756	36 489

Amount of discount recognised in the profit and loss account:

	2023	2022
Decrease in sales revenue	(2 662)	(2 953)
Decrease in the cost of services sold	18 075	21 746
Total adjustment to gross margin	**15 413**	**18 793**
Adjustment to finance income / (finance costs) (note 33)	(10 122)	(7 791)
Deferred tax on the above adjustments	(1 005)	(2 090)
Net effect on the profit and loss account	**4 286**	**8 912**

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

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

29. Revenue from contracts with customers

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

29.1.1 Sales revenue, by type of good or service

In 2023, net sales of finished goods and services, and goods for resale and raw materials, by type of good or service, were as follows:

Segment	Construction business	Service activities	Exclusions	Consolidated financial data
Sales of construction-assembly work	8 768 295	-	(18 691)	**8 749 604**
Sales of other services	54 030	932 117	(14 401)	**971 746**
Sales of finished goods	46 103	-	-	**46 103**
Sales of goods for resale and raw materials	34 018	119	(75)	**34 062**
Total sales of finished goods, goods for resale and raw materials	**8 902 446**	**932 236**	**(33 167)**	**9 801 515**

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

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

29.1.2 Sales revenue, by geographical area

In 2023, net sales of finished goods and services, and goods for resale and raw materials, by geographical area, were as follows:

Segment	Construction business	Service activities	Exclusions	Consolidated financial data
Poland	8 490 252	931 885	(33 167)	**9 388 970**
Germany	304 249	281	-	**304 530**
Slovakia	60 099	-	-	**60 099**
Other EU countries	47 846	70	-	**47 916**
Total sales of finished goods, goods for resale and raw materials	**8 902 446**	**932 236**	**(33 167)**	**9 801 515**

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

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

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

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

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

Net sales of finished goods and services, and goods for resale and raw materials of the "Construction business" as the most significant Budimex Group operating segment were additionally analysed by type of construction works/ constructed objects. Data for the years 2023 and 2022 are as follows:

Type of construction works	**Sales revenue for the 12-month period ended:**	
	31 December 2023	**31 December 2022**
Land-engineering facilities	3 578 338	3 034 865
Railway	2 498 027	1 888 901
Cubic objects (building structures), of which:	2 826 081	2 897 068
- non-housing	*2 708 753*	*2 668 247*
- housing	*117 328*	*228 821*
Sales of finished goods, goods for resale and raw materials – Construction business segment	**8 902 446**	**7 820 834**

29.2 Assets and liabilities arising from contracts with customers

Deadline to satisfy contract performance obligations vs applied payment deadlines

Construction contracts are settled with investors in the following manner:

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

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

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

During 2023 and 2022, no revenues from contracts with customers occurred that would have been recognised in a given financial year, and for which performance obligations were satisfied in the previous reporting period.

In 2023 and 2022, no revenue adjustments were recognised that would affect customer contract assets or liabilities following a change in the method of measurement of contract liability (contract progress) or contract change.

	31 December 2022	**Change in contracts valuation**	**Revenue recognised in 2023 and included in contract liabilities balance as at 31 Dec 2022**	**Change of the period, in which right to contract consideration becomes unconditional**	**Other**	**31 December 2023**
Receivables from service concession arrangements	46 511	-	-	-	(245)	46 266
Valuation of construction contracts	532 484	477 383	-	(532 484)	-	477 383
Assets from contracts with customers	**578 995**	**477 383**	**-**	**(532 484)**	**(245)**	**523 649**
Valuation of construction contracts	1 493 517	786 472	(512 000)	-	-	1 767 989
Liabilities from contracts with customers	**1 493 517**	**786 472**	**(512 000)**	**-**	**-**	**1 767 989**

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

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

29.3 Outstanding performance obligations under contracts with customers

	31 December 2023	31 December 2022
Total transaction price allocated to construction contract performance obligation (to deliver goods or services) outstanding at year-end, to be realized in:		
- less than 1 year	*8 506 855*	*8 236 959*
- over 1 year	*5 792 791*	*6 885 623*
Total	**14 299 646**	**15 122 582**

30. Costs by type

	2023	2022
Depreciation/ amortization of which:	157 315	152 387
– property, plant and equipment (note 10)	*136 653*	*132 817*
– intangible assets (note 11)	*20 662*	*19 570*
Employee benefits (note 31)	1 536 436	1 405 396
Materials and energy	2 030 666	1 965 305
External services	4 759 480	4 094 153
Taxes and charges	61 389	47 739
Advertising and representation	11 194	7 309
Non-life (property) and life insurance	30 576	26 332
Change in the balance of provision for losses on construction contracts (note 26)	(31 316)	288 476
Other costs by type	502 918	88 820
Selling expenses (negative value)	(13 516)	(13 530)
Administrative expenses (negative value)	(371 396)	(317 153)
Change in the balance of finished goods and work in progress	(9)	-
Cost of goods produced for the entity’s own needs (negative value)	-	-
Cost of development of finished goods and services sold	**8 673 737**	**7 745 234**
Cost of goods for resale and raw materials sold	3 197	1 377
Cost of finished goods, services, goods for resale and raw materials sold	**8 676 934**	**7 746 611**

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

31. Cost of employee benefits

	2023	2022
Cost of salaries and wages, of which:	**1 273 261**	**1 177 781**
– retirement and pension benefits (note 24)	*2 191*	*1 615*
– share-based payments (note 38)	*(284)*	*1 212*
– termination benefits	*4 563*	*4 705*
Cost of social security surcharges and other allowances, of which:	**263 175**	**227 615**
– social security	*184 342*	*164 009*
– cost of Employee Capital Plans (PPK)	*12 111*	*9 404*
Total cost of employee benefits recognised in the costs by type (note 30)	**1 536 436**	**1 405 396**

32. Other operating income and other operating expenses

Other operating income

	2023	2022
Gains on the sale of non-financial long-term assets	4 898	6 272
Reversal of impairment write-downs, of which against:	19 199	7 727
– receivables (note 16)	*16 084*	*5 522*
– property, plant and equipment (note 10)	*3 115*	*2 205*
Reversal of provisions, of which for:	8 311	198
– litigation and compensations (note 25)	*8 311*	*122*
– penalties and sanctions (note 25)	*-*	*76*
Compensations awarded	31 039	37 964
Subsidies	511	255
Statute-barred liabilities written-off	2 495	6 138
Gains on derivative financial instruments (note 14.2)	55 737	5 223
Gain from bargain purchase (note 7.1)	1 554	-
Other	1 978	1 458
Total	**125 722**	**65 235**

Other operating expenses

	2023	2022
Recognition of impairment write-downs, of which against:	36 316	22 240
– receivables (note 16)	*36 316*	*22 240*
Creation of provisions, of which for:	32 737	14 201
– litigation (note 25)	*4 093*	*9 434*
– penalties and sanctions (note 25)	*28 644*	*1 281*
– other (note 25)	*-*	*3 486*
Compensations and liquidated damages paid	9 428	84
Court charges and enforcement fees, costs of legal proceedings	2 439	3 105
Loss on derivative financial instruments (note 14.2)	-	1 350
Donations given	1 610	2 200
Other	1 734	1 388
Total	**84 264**	**44 568**

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

33. Finance income and finance costs

Finance income

	2023	2022
Interest earned on financial instruments, of which:	184 633	112 848
– on bank deposits and cash at bank	*184 633*	*112 771*
– on loans granted (note 14.1)	-	*77*
Other interest income, of which:	6 251	8 853
– interest on discount received and penalty interest	*4 710*	*8 473*
– other	*1 541*	*380*
Receivables from service concession arrangements (note 15)	2 863	2 875
Profit on derivative financial instruments *(note 14.2)*	578	2 442
Foreign exchange gains	8 238	2 581
Other	485	2 362
Total	**203 048**	**131 961**

Finance costs

	2023	2022
Interest expense in respect of financial instruments, of which:	12 049	9 803
– interest on borrowings and loans taken out and on other external sources of finance	*3 049*	*2 351*
– interest on lease contracts	*9 000*	*7 452*
Other interest expense, of which:	1 214	1 173
– penalty interest paid to suppliers and interest on discounts	*1 016*	*552*
– other interest	*198*	*621*
Impairment of shares in non-consolidated entities (note 14.3)	-	129
Discount on retentions for construction contracts (note 28)	10 122	7 791
Cost of bank commissions and guarantees	28 455	26 055
Loss on derivative financial instruments (note 14.2)	1 472	-
Loss on liquidation of a related company	390	-
Other	1 166	638
Total	**54 868**	**45 589**

34. Earnings/ (loss) per share

Basic earnings/ (loss) per share

Basic earnings (loss) per share are calculated as the quotient of profit/ (loss) attributable to the shareholders of the Parent Company and the weighted average number of ordinary shares outstanding during the year (note 19).

	2023	2022
Earnings / (loss) attributable to the shareholders of the Parent Company	738 196	534 443
Weighted average number of ordinary shares	25 530 098	25 530 098
Basic earnings / (loss) per share (in PLN per share)	**28.91**	**20.93**

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.

35. Dividend per share

On 5 June 2023, Budimex SA paid a dividend of PLN 459 286 thousand, i.e. PLN 17.99 gross per share, to which a part of the separate net profit for the period from 1 January 2022 to 31 December 2022 was allocated. The remaining part of the net profit for 2022 in the amount of PLN 253 thousand was allocated to reserve capital.

Until the date of the preparation of these financial statements for the financial year ended 31 December 2023, the Management Board of Budimex SA had not passed a resolution on the recommendation for the distribution of profit for 2023.

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

36. Statement of Cash Flows

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

	2023	2022
Change in provisions and liabilities from retirement and similar benefits presented in the consolidated statement of financial position	**253 904**	**42 382**
Actuarial gains and losses (note 24)	(2 294)	3 813
Acquisition of subsidiaries (note 7.1)	(1 590)	-
Foreign exchange differences	37	-
Change in provisions and liabilities from retirement and similar benefits presented in the consolidated statement of cash flows	**250 057**	**46 195**
Change in receivables and retentions presented in the consolidated statement of financial position	**(348 619)**	**286 522**
Change in investment receivables	(188)	(875)
Foreign exchange differences	(96)	-
Acquisition/consolidation of subsidiaries (note 7.1; 7.2)	7 477	4 547
Change in receivables and retentions presented in the consolidated statement of cash flows	**(341 426)**	**290 194**
Change in inventories presented in the consolidated statement of financial position	**135 801**	**(314 818)**
Acquisition of subsidiaries (note 7.1)	4 116	-
Change in inventories presented in the consolidated statement of cash flows	**139 917**	**(314 818)**
Change in retentions for construction contracts and liabilities presented in the consolidated statement of financial position	**288 060**	**122 108**
Change in investment liabilities	(15 432)	11 266
Foreign exchange differences	(150)	-
Acquisition/consolidation of subsidiaries (note 7.1; 7.2)	(21 563)	(5 536)
Change in retentions for construction contracts and liabilities presented in the consolidated statement of cash flows	**250 915**	**127 838**
Change in valuation of construction contracts and provision for losses on construction contracts presented in the consolidated statement of financial position	**298 257**	**390 437**
Acquisition of subsidiaries (note 7.1)	11 989	-
Change in valuation of construction contracts and provision for losses on construction contracts presented in the consolidated statement of cash flows	**310 246**	**390 437**
Change in deferred income presented in the consolidated statement of financial position	**(108 860)**	**286 798**
Acquisition of subsidiaries (note 7.1)	(203)	-
Change in deferred income presented in the consolidated statement of cash flows	**(109 063)**	**286 798**
Change in income tax arising from the consolidated statement of financial position	**(45 143)**	**(82 600)**
Income tax in the profit and loss account	(183 547)	(100 805)
Deferred tax on actuarial gains and losses (note 23)	436	(724)
Acquisition of subsidiaries (note 7.1)	(2 498)	(1 692)
Other	1	-
Income tax paid presented in the consolidated statement of cash flows	**(230 751)**	**(185 821)**

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

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

	2023	2022
Cumulative translation differences	(4 621)	803
Other	519	(448)
Total	**(4 102)**	**355**

Non-monetary transactions

In 2023, non-monetary transactions concerning all types of activities (operating, investing and financing activities) that were *not* presented in the statement of cash flows related to increases in non-current assets due to acceptance into lease of property, plant and equipment with a value of PLN 55 405 thousand.

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

37. Liabilities secured on the Group's assets

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

	31 December 2023		31 December 2022	
	Assets pledged as security/ collateral	Security/ collateral contractual value	Assets pledged as security/ collateral	Security/ collateral contractual value
Property, plant and equipment	65 156	95 253	10 115	35 413
Shares in subsidiary companies*	38 200	17 500	-	-
Cash and cash equivalents (note 18)	1 870**	1 870**	1 537**	1 537**
Total	**105 226**	**114 623**	**11 652**	**36 950**

**pledge on the shares in one of the subsidiary companies, which are subject to consolidation exclusions*
***as at 31 December 2023 and 31 December 2022, the collaterals established on cash and cash equivalents equate the amount of 2 nearest principal-interest instalments of the investment loan being repaid by Budimex Parking Wrocław Sp. z o.o.*

38. Share-based payments

Ferrovial SE, 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, every year members of the Budimex SA Management Board and senior executives are granted free shares of Ferrovial SE, the final settlement of which takes place 3 years after the grant date and is subject to the following conditions:

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

As at 31 December 2023 and as at 31 December 2022, the total fair value of services recorded under other reserves was PLN 7 171 thousand. As at 31 December 2023, the total fair value of services recorded under liabilities amounted to PLN 18 873 thousand, while as at 31 December 2022 – PLN 19 157 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 2014-2023 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
2023	22 050	15-02-2023	130,45	100%	(284)
2022	23 350	15-02-2022	111,06	100%	1 212

The cost of the shares granted in 2023 was calculated as 2/36th of the cost of shares awarded in 2020, 12/36th of the cost of shares awarded in 2021, 12/36th of the cost of shares awarded in 2022 and 10/36th of the cost of shares awarded in 2023.

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.

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

The three-year vesting period for the shares granted in 2020 ended in March 2023. As the conditions of the incentive program were satisfied, 13 465 shares in Ferrovial SE 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-turnover related adjustments and the lower than assumed rate of achievement of specific financial results (covenants) by Ferrovial SE.

39. Related party transactions

Transactions with related parties made in 2023 and 2022 and the resultant unsettled balances of receivables and liabilities as at 31 December 2023 and 31 December 2022 are presented below.

	Receivables		Liabilities	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Parent and its related parties (the Ferrovial Group)	-	-	34 790	25 450
Jointly controlled entities	14 595	14 994	660	736
Associates	8	2	11	7
Other related entities – non-consolidated subsidiaries *	137	-	-	98
Total settlements with related parties	**14 740**	**14 996**	**35 461**	**26 291**

	Revenue from sale of products and services and other operating income		Purchase of products and services and other operating expenses	
	2023	2022	2023	2022
Parent and its related parties (the Ferrovial Group)	-	-	39 193	30 278
Jointly controlled entities	230	420	-	3
Associates	26	35	93	453
Other related entities – non-consolidated subsidiaries*	146	146	7	98
Other related entities – other*	-	1	-	-
Total settlements with related parties	**402**	**602**	**39 293**	**30 832**

	Loans granted / (taken out); debt securities acquired/ (issued)		Finance income / (costs)	
	31 December 2023	31 December 2022	2023	2022
Other related entities – non-consolidated subsidiaries**	-	1 987	-	77
Total settlements with related parties	**-**	**1 987**	**-**	**77**

*) Other related entities represent controlled non-consolidated entities, jointly controlled entities or entities on which the key management person of the Parent Company or of the subsidiary of the Budimex Group or his close relative exercises significant influence, or has a significant number of votes at the shareholders' meeting of this company.

Transactions with related parties are made at arm's length.

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.SE, which mainly relate to the purchase of services under the contracts described below and share-based payment settlements.

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 2023 were PLN 9 899 thousand and PLN 551 thousand, respectively, while in 2022 – PLN 7 648 thousand and PLN 585 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 2023, in connection with the execution of these agreements Budimex SA incurred costs of PLN 29 284 thousand, while in 2022 - PLN 25 746 thousand.

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

39.1 Emoluments of key members of management

Management Board

The total value of remuneration, bonuses and awards for the members of the Management Board of Budimex SA in 2023 amounted to PLN 13 822 thousand (of which, PLN 6 242 thousand represented performance bonus for completed tasks), of which PLN 12 401 thousand was charged to the costs of Budimex SA. The remaining balance was charged to the costs of the subsidiary companies.

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 charged to the costs of Budimex SA. The remaining balance was charged to the costs of the subsidiary companies and the Ferrovial Group.

In addition, during the 12-month period ended 31 December 2023, the estimated costs of share-based payments in connection with Ferrovial SE's incentive programs related to the Company's Management Board amounted to PLN 1 128 thousand, of which PLN 1 122 thousand was charged to the costs of Budimex SA, and the difference was covered by the subsidiary companies. In 2022, the costs of share-based payments amounted to PLN 969 thousand, of which PLN 791 thousand was charged to the costs of Budimex SA, and the difference was covered by the subsidiary companies.

Remuneration for 2023

Company's Management Board	Remuneration charged to Budimex SA and subsidiary companies	Performance bonus	Non-competition clause	Share-based payments under the Ferrovial SE's incentive schemes	Total
Artur Popko	1 581	2 355	-	436	**4 372**
Marcin Węgłowski	999	580	-	178	**1 757**
Jacek Daniewski	1 015	570	-	178	**1 763**
Anna Karyś-Sosińska	686	281	-	112	**1 079**
Maciej Olek	967	1 406	-	109	**2 482**
Cezary Łysenko	911	1 050	-	109	**2 070**
former Board Members:					
Artur Pielech	1 195	-	226	6	**1 427**
TOTAL	**7 354**	**6 242**	**226**	**1 128**	**14 950**

The cost of share-based payments comprises: 2/36th of the cost of shares awarded in 2020, 12/36th of the cost of shares awarded in 2021, 12/36th of the cost of shares awarded in 2022 and 10/36th of the cost of shares awarded in 2023.

The three-year vesting period for the shares granted in 2020 ended in March 2023. As the conditions of the incentive program were satisfied, the shares in Ferrovial SE 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 1 533 shares
Marcin Węgłowski 862 shares
Jacek Daniewski 862 shares
Maciej Olek 383 shares
Cezary Łysenko 383 shares

Former Board Members:
Artur Pielech 830 shares

The market value of one share of Ferrovial SE at the actual transfer date was PLN 125.82.

Proxies

The total value of remuneration paid to proxies of Budimex SA in 2023 was PLN 1 555 thousand, while in 2022 - PLN 1 827 thousand.

Individual remuneration of proxies in 2023 was as follows:

Piotr Świecki* PLN 1 555 thousand (until the date of resignation i.e. 31 October 2023).

In addition, apart from the amounts presented above, the estimated cost of share-based payments under Ferrovial SE's incentive programs allocated to the Company's proxy, Piotr Świecki, amounted to PLN 129 thousand.

Due to satisfying the incentive program conditions after the expiry of the three-year vesting period for the shares granted in 2020, Ferrovial SE formally transferred 630 shares to the proxy of Budimex SA, Piotr Świecki. The market value of one share of Ferrovial SE at the actual transfer date was PLN 125.82.

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

Supervisory Board

The total value of remuneration paid in 2023 to the members of Supervisory Board of Budimex SA amounted to PLN 2 138 thousand (PLN 2 089 thousand in 2022).

In 2023, remuneration of Supervisory Board members of Budimex SA was as follows:

Marek Michałowski	PLN 341 thousand	
Igor Chalupec	PLN 231 thousand	
Danuta Dąbrowska	PLN 266 thousand	
Janusz Dedo	PLN 245 thousand	
Ignacio Aitor Garcia Bilbao	PLN 231 thousand	
Mario Manuel Menendez Montoya	PLN 194 thousand	
Juan Ignacio Gastón Najarro	PLN 195 thousand	
Artur Kucharski	PLN 195 thousand	
Silvia Rodriguez Hueso	PLN 160 thousand	(from 18 May 2023)
Dariusz Blocher	PLN 80 thousand	(until 27 April 2023)

39.2 Advance payments, loans and borrowings, guarantees and sureties granted to Members of the Management or Supervisory Boards

As at 31 December 2023 and 31 December 2022, members of the Management or Supervisory Boards of the Company, their spouses, close relatives, in-laws to the second degree, adopted persons and adoptive parents, and other persons who are related to them in person did not have any outstanding loans or borrowings or guarantees issued by Budimex SA or its subsidiaries, jointly controlled entities or associates.

As at 31 December 2023 and 31 December 2022, members of the Management or Supervisory Boards of the subsidiary companies of the Group did not have any outstanding loans or borrowings or guarantees issued by those companies and were not parties to other agreements obligating them to provide services to Group companies.

40. Leases

a) The characteristics of lease contracts concluded by Group companies was described in note 21.

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

c) The cost of lease-related interest was disclosed in note 33.

d) The cost of short-term leases recognized in accordance with IFRS 16.6 amounted in 2023 to PLN 318 338 thousand (in 2022 - to PLN 304 554 thousand).

e) The cost related to the lease of low-value assets recognized in accordance with IFRS 16.6 amounted in 2023 to PLN 79 487 thousand (in 2022 - to PLN 64 522 thousand).

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

g) The total lease-related cash outflow in 2023 amounted to PLN 484 126 thousand (of which: PLN 77 301 thousand – principal part of instalments; PLN 9 000 thousand – interest part of instalments; PLN 397 825 thousand – payments for short-term leases and low-value assets recognized in cash flows from operating activities). The corresponding amounts in 2022 amounted to: PLN 466 402 thousand (of which: PLN 89 874 thousand – principal part of instalments; PLN 7 452 thousand – interest part of instalments; PLN 369 076 thousand – payments for short-term leases and low-value assets recognized in cash flows from operating activities).

h) The Group companies did not make any sale and leaseback transaction in 2023.

i) The carrying amount of right-of-use assets as at 31 December 2023 analysed by class of the underlying assets and increases in the right-of-use assets was disclosed in note 10.

j) The portfolio of short-term leases to which the Group is obligated as at 31 December 2023 does not differ materially from the portfolio of short-term leases, to which the cost of short-term leases referred to in point d) relates. However, the Group estimates that the amount of future payments to which it is obliged under short-term leases recognised in accordance with IFRS 16.6 may differ from that for 2023 due to the specific nature of realized contracts and the availability of own assets necessary to perform them.

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

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

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

41. Capital expenditure incurred and planned

Capital expenditure for non-financial long-term assets, including fixed assets accepted for use under lease contracts, incurred in 2023 amounted to PLN 242 227 thousand. In 2022, capital expenditure for non-financial long-term assets amounted to PLN 221 987 thousand.

In 2024, the Group expects to make investment purchases of non-financial long-term assets in the amount of approximately PLN 230 000 thousand, including environmental protection expenditures in the amount of approximately PLN 900 thousand.

In 2023, the Group companies incurred investment expenditure on environmental protection in the amount of PLN 33 100 thousand. These concerned the construction of various renewable energy installations.

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

42. (Off-balance sheet) investment expenditure

As at 31 December 2023, the Group's contractual investment commitments amounted to PLN 24 412 thousand and related primarily to the purchase of means of transport, and plant and machinery.

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

43. Events after the reporting date

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

44. Contingent assets and contingent liabilities

	31 December 2023	31 December 2022
Contingent assets		
From other entities		
– guarantees and sureties received	761 443	704 381
– bills of exchange received as security	83 875	74 957
From other entities, total	**845 318**	**779 338**
Other contingent assets	**12 692**	**11 844**
Total contingent assets	**858 010**	**791 182**
Contingent liabilities		
To other entities		
– guarantees and sureties issued	5 016 111	5 036 676
– promissory notes issued as security	8 467	9 031
To other entities, total	**5 024 578**	**5 045 707**
Other contingent liabilities	**181**	**181**
Total contingent liabilities	**5 024 759**	**5 045 888**
Total contingent items	**(4 166 749)**	**(4 254 706)**

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

Contingent liabilities arising from issued guarantees and sureties comprise mainly guarantees issued by banks in favour of Group companies' business partners to secure their claims against the Group companies that may arise on the grounds of executed construction contracts. The banks are entitled to recourse claims against Group companies under these guarantees. Guarantees issued to the customers of the Group represent an alternative, to the retentions held, method of securing potential investor claims relating to the performance of construction contracts. At the same time, the risk relating to warranty repairs assessed by the Management Board of the Group as probable was appropriately reflected in the warranty repair provision, as described in note 6.1 and note 25 to these consolidated financial statements.

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

In addition, the Group has contingent liabilities resulting from the collaterals established on its assets, as described in note 37.

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

45. Employment structure

Employee group	Number of employees as at 31 December	
	2023	**2022**
Blue collar employees	2 994	2 887
White collar employees	4 343	4 135
Total	**7 337**	**7 022**

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 period 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 for the review and audit of the 2022 - 2023 financial statements was concluded on 11 August 2022. The fee for the audit and review of the annual and half-year (interim) separate and consolidated financial statements for 2023 amounted to PLN 724 thousand (incl. fee for the audit and review of reporting packages for the Ferrovial Group purposes); the fee for the services for 2022 amounted to PLN 580 thousand (incl. fee for the audit and review of reporting packages for the Ferrovial Group purposes).

The Audit Committee has issued its written consent for the provision of services of the review and audit of reporting packages for the Ferrovial Group, for assessment of the report on remuneration of the Management and Supervisory Boards and for the provision of assurance services in relation to selected GRI indicators included in the "Report on non-financial information of the Budimex Group for the year ended December 31, 2023" .The fee for the assessment of the report on remuneration of the Management and Supervisory Boards for 2023 amounted to PLN 34 thousand, and for 2022 – PLN 30 thousand. The fee for assurance services in relation to selected GRI indicators for 2023 amounted to PLN 86 thousand.

In 2022-2023, the audit firm *did not* provide any other services to the Group companies. An entity from the audit firm's network provided services in the form of open training for PLN 47 thousand in 2022; In 2023, no such services were provided.

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

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 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. Subsequently, both persons were dismissed from the Management Board of FBSerwis SA. FBSerwis SA also terminated their employment contracts. The President of the Management Board of FBSerwis SA was also dismissed from the Management Board of Budimex SA.

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

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

In addition, in order to objectively explain the alleged irregularities, the Management Board of Budimex SA commissioned an external entity to conduct an independent investigation into this matter in the FBSerwis Group companies. As a result of the conducted explanatory activities, as at the date of preparation of these consolidated financial statements, internal control areas were identified that require strengthening in order to minimize the risk of irregularities in the future. This process is continued by the FBSerwis Group companies.

Taking into account the above assessments, the Budimex Group did not include any liabilities or provisions in the consolidated financial statements in relation to this matter. In the opinion of the Management Board of Budimex SA, the events that have occurred do not threaten the stability and credibility of Budimex SA or the Budimex Group and do not affect these consolidated financial statements in any way.

Warsaw, 8 April 2024

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	