

budimex

THE BUDIMEX GROUP

BUDIMEX SA

DIRECTORS' REPORT FOR 2023

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

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1 BUSINESS ENVIRONMENT

1.1 General market conditions

According to a preliminary estimate, gross domestic product (GDP) in 2023 was higher by 0.2 per cent in real terms compared with 2022, versus an increase by 5.3 per cent in 2022 (at constant previous year's prices). The full-year estimates show that the recovery is proceeding slowly, despite the presence of disinflationary developments. The Central Statistical Office reported that the average annual total consumer price index in 2023 was 11.4 per cent, compared to 14.4 per cent the year before. The final months of 2023 saw a normalisation of price processes, as evidenced by December's inflation reading of 6.2 per cent.

In 2023, the registered unemployment rate in Poland was relatively flat compared to the previous year as evidenced by a slight decrease of 0.1 percentage points from 5.2 per cent in December 2022 to 5.1 per cent in December 2023. Average monthly remuneration in the economy increased by 9.6 per cent year-on-year and exceeded PLN 8 thousand for the first time ever. In the construction industry alone, average wages rose by 6.3 per cent year-on-year, with higher increases of 10.4 per cent and 10.3 per cent in engineering and specialised construction, respectively, and lower in building construction, which had a negative growth rate of 1.5 per cent.

Gross fixed capital formation in 2023 increased by 8 per cent year-on-year, compared with an increase by 4.9 per cent in 2022. The investment rate in the national economy (the ratio of gross fixed capital formation to gross domestic product in current prices) in 2023 was 17.4 per cent compared with 16.8 per cent in 2022.

At the end of 2023, the construction business climate index was -13.2 percentage points, which suggests that more companies in the sector (20.5 per cent) expect the industry to deteriorate rather than improve business conditions (7.4 per cent). According to the CSO's surveys, construction companies are experiencing a year-on-year improvement in raw material issues, with 6.1 per cent of respondents perceiving a shortage of materials at the end of December 2023 (compared to 12.3 per cent a year earlier) and 57.6 per cent perceiving material costs (compared to 73.5 per cent a year earlier) as market barriers. The trends are confirmed by the price indices for construction and assembly production, which increased by 10.2 per cent over the year, while since the beginning of January 2023, they have exhibited decreasing dynamics, with prices going up by 7.5 per cent in December 2023 alone. According to construction businesses, the biggest challenge for the industry is the cost of manpower, which was identified by 70.2 per cent of the companies surveyed as a barrier to the sector.

According to data from the Central Statistical Office, construction and assembly output (at constant prices) delivered in Poland by construction businesses employing more than nine people was 5 per cent higher in 2023 than in 2022. Building construction was the only construction segment to show negative year-on-year growth of -1.3 per cent, although it should be noted that the last quarter was characterised by a recovery, with an increase of 13.4 per cent witnessed in December alone. The other construction sectors – civil engineering and specialised construction – were characterised by increases in constant prices of 11.3 per cent and 2.7 per cent respectively in 2023.

The environment of low level interest rates (and therefore low cost of capital) observed in recent years, which was favourable for the construction market, was replaced by a reality of higher interest rates. A series of increases by the MPC pushed the reference rate to 5.75 per cent in October 2023. The market does not expect a significant reduction in the interest rate trajectory in 2024, which is likely to continue to reduce the potential for debt-backed investment. Despite the high level of interest rates, residential construction in the ten largest cities was characterised by year-on-year increases of nearly 69 per cent in the number of residential units sold. The reason for the increases can be attributed to the introduction of the government's Safe 2% Loan programme, which has increased the number of loan applications by leaps and bounds – rising from 214 thousand loan applications in 2022 to 365 thousand applications in 2023. Ultimately, this resulted in an upturn in residential construction, but on the other hand in an imbalance between demand and supply in individual metropolitan areas which led to a negative balance of residential units on offer.

1.2 Market development prospects

Poland stands out among the countries of Central and Eastern Europe as a country with potential for GDP recovery, owing to fiscal loosening but also to the impact of inflows from the European Union and a slight potential for interest rate cuts in 2024. The expected decline in inflation is expected to be driven by the reversal of the trend of external price shocks and the strengthening of the domestic currency. According to projections by the Polish Economic Institute (PIE) published in January 2024, the domestic economy will emerge from a period of slowdown and grow by 2.3 per cent in 2024 and 3.5 per cent in 2025. The recovery trend in economic growth is also signalled by the Ministry of Finance and the projections of domestic commercial banks.

Recovery of GDP is expected to be driven mainly by private consumption boosted by an increase in real household disposable income. At the same time, macroeconomic forecasts suggest a deceleration in investment and a deterioration in the effect of the balance of trade with foreign partners. Investment is set to decelerate from 6.7 per cent in 2023 to 1.2 per cent in 2024, driven by both the economic slowdown in Europe and a decline in local government investment volumes – mainly due to the stoppages caused by the change in the outlook for cohesion funds from the European Union. Any support for funding from the National Recovery Plan (NRP) should only be noticeable in 2025, as project implementation anticipates the largest outlays to be made in a period of a dozen or so months after the launch of the initiative.

The PIE forecasts average CPI inflation of 5.1 per cent in 2024, which would sustain the downward trend observed in 2023, but at a much lower rate. Inflation expectations among companies are still high and, according to the CSO Business Survey, the number of companies declaring price increases is still higher compared to the peak of the cycle before the COVID-19 pandemic in 2018-2019. In addition, expectations of price increases will be boosted by energy prices – the reinstatement of market prices and the expiry of the energy price freeze legislation at the end of June 2024. The continuing elevated inflation rate will also be driven by the increase in the minimum wage and the reinstatement of VAT on food from 1 April 2024.

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In December 2022, the European Commission (EC) approved all Polish Cohesion Policy programmes for 2021-2027, agreed on the basis of the Partnership Agreement developed. Poland remains the largest beneficiary of the Cohesion Policy, with EU contributions of EUR 76 billion. All national programmes and 16 regional programmes for Poland have been approved. EUR 24.2 billion has been allocated to the FEnKS programme, compared to EUR 27.4 billion under the previous financial perspective. The expected scale of assistance in the area of infrastructure projects should ensure that EU funds will continue to play a significant role in the growth of the Polish construction sector in the coming years. The forthcoming budgetary perspective will be the first in which railway projects will have priority over road projects. The support for infrastructure projects under the Connecting Europe Facility (CEF) competitive instrument will also be important.

The last months of 2023 saw visible progress in terms of access to EU funds. In November, the European Commission (EC) approved a modified NRP budget, increasing the amount of funds linked to the REPowerEU programme. The effect of the EC's move is that 20 per cent of REPowerEU funds can be pre-financed without the need to meet milestones - Poland has already received EUR 5 billion in pre-financing, which is important in the context of the reduction of remaining EU funds in 2024.

The revised National Recovery Plan envisages the disbursement of EUR 59.8 billion, including EUR 25.3 billion in grants and EUR 34.5 billion in preferential loans. In line with EU targets, a significant proportion of the funding will be allocated to climate-related objectives (46.6 per cent) and digital transformation (21.4 per cent). In addition, at the beginning of 2024, Poland has fulfilled the last three conditions necessary for the release of structural funds worth EUR 76 billion. The structural funds include the Cohesion Fund, the European Regional Development Fund, the European Social Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund. According to economists' calculations, Poland will receive a net 1.3 per cent of GDP in grants and up to 2.7 per cent of GDP in 2024 from EU funds, when loans are taken into account.

In 2023, the Polish construction market continued to suffer the consequences of the challenges caused by the difficult geopolitical situation. The price shocks experienced in previous years and the market's continued anticipation of the release of EU funds have influenced further delays in the public procurement market. However, despite the demands of the market, the General Directorate for National Roads and Motorways (GDDKiA) has once again ensured the stability of the tenders announced and the dialogue on the indexation mechanism. The projected expenditure by the main contracting authority in the road market was around PLN 15 billion, the second highest figure in the last six years. In 2023, GDDKiA signed sixteen contracts for tasks with a total length of 216 kilometres and a value of around PLN 8.6 billion (against twenty-four contracts in 2022 with a length of 333.4 kilometres). The value of tenders announced increased year-on-year to forty-two sections with a total length of 530.6 kilometres (compared to twenty tenders with a total length of 226.8 kilometres in 2022). In addition, in 2023, GDDKiA finalised the signing of indexation annexes with a 15 per cent indexation cap for ninety-seven contracts with twenty-three contractors – responding to the significant increase in contractors' expenses resulting from the effects of Russia's aggression against Ukraine in 2022.

In December 2023, the contracting authority signed the first contracts for EU funding under the European Funds for Infrastructure Climate, Environment (FEnKS) programme. As part of the EU-funded projects, more than 2 127 kilometres of national roads (including around 158 kilometres of motorways and 1 765 kilometres of motorways) are scheduled to be constructed. As at the end of 2023, 1 298 kilometres of national roads are under construction, another 507 kilometres are in tender proceedings and 3 306 kilometres are currently in the pipeline. The Government's National Road Construction Programme until 2030 (with an outlook until 2033), updated in 2022, with a total value of PLN 294.4 billion, accounts for most of the investment. The remaining investment will be implemented under the Programme for the Construction of 100 Bypasses, worth PLN 28.1 billion. In 2024, GDDKiA intends to announce tenders for 215 kilometres, of which 92.2 kilometres relate to roads under the Government's National Road Construction Programme until 2030 and 122.5 kilometres to the Programme for the construction of 100 bypasses. In addition, following the replacement of executives at the main contracting authorities in the road and rail markets, the timetables for the signing of announced tenders and the publication of new tenders are expected to be extended. Consequently, this may affect the short-term supply of contracts, but the long-term outlook remains invariably optimistic.

The rail market faced another year of funding problems due to the prolonged wait for EU funds. As a consequence, the period for signing contracts for previously announced tenders was extended. PKP PLK signed nine contracts in 2023 for tenders announced back in 2022, and what is more, two of the tenders from this period are still pending. The main contracting authority has published further tenders worth more than PLN 11 billion in 2023, with five contracts worth around PLN 1.5 billion already signed. From a market perspective, it should be mentioned that at its meeting on 16 August 2023, the Council of Ministers adopted a resolution submitted by the Minister of Infrastructure on the establishment of the National Railway Programme until 2030 (with an outlook until 2033). The total value of the National Railway Programme 2030 is PLN 170 billion, including PLN 79 billion for the 2014-2020 perspective, PLN 80 billion for the 2021-2027 perspective and PLN 11 billion for the NRP. Some of the funds have been pre-financed by the Polish Development Fund (PFR) already at the end of 2023. Additional support for investment in the railway market is provided by the Local and Regional Railway Infrastructure Completion Programme - Rail + until 2029, worth PLN 13.2 billion, and plans for the construction of 1 800 kilometres of railway lines by 2034 as part of the Solidarity Transport Hub Poland.

Another key project necessary for Poland's proper energy transition is PSE's investments. The updated programme includes investments in electricity grids, which are expected to amount to nearly PLN 62 billion by 2036. The programme includes, among others, the construction of 5 225 kilometres of 400 kV line tracks; 27 new substations and 775 kilometres of direct current lines. Investment objectives selected by PSE include: power evacuation from Polish offshore wind farms in the Baltic Sea, power evacuation from nuclear power plants, integration of onshore RES sources into the NPS, connection of new stable generation sources and energy storage facilities, increasing the potential of the national grid to transport energy through Poland as a transit hub, supplying electricity to new industrial customers, including in special economic zones, supporting the development of electromobility and electrification of the heating sector, supplying power to the Solidarity Transport Hub Poland, including high-speed rail.

Poland is currently in the process of phasing out its oldest coal-fired power units. The efforts of energy companies are focused on implementing projects geared towards climate neutrality. Among other things, PGE is in the process of preparing a project for the largest offshore wind farm in the Baltic Sea and is working on the construction of two CCGT units at the Dolna Odra power plant. Another important development in the energy sector was the merger of Orlen, Lotos and PGNiG. The establishment of a multi-

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energy company is an unprecedented event in the domestic market that may change the balance of power on the map of Europe's energy interests.

With the end of 2023, the two coal-fired power units No. 3 and 4 at the Rybnik Power Plant were shut down. These will be replaced by an 882 MW gas-fired unit at this plant. The net value of this investment is approximately PLN 4 billion.

In 2023, planning and preparatory work progressed on the Solidarity Transport Hub Poland project (CPK). Advanced design work included the airport terminal, railway station, runways, air traffic control tower and more than 450 kilometres of railway, including the section between Warsaw and Łódź. Of the almost 2 000 kilometres of lines the company plans to build, investor options have been selected and mileage consulted for more than 600 kilometres – these are the following sections: Warsaw - CPK - Łódź, Łódź - Wrocław, Sieradz - Poznań, Łętownia - Rzeszów and Katowice - Ostrava. Of those listed, design is underway for more than 450 kilometres. In addition, CPK has selected the French-Australian consortium of Vinci and IFM as a strategic investor in the proceedings. The estimated total amount needed for the airport part of the investment is around PLN 41 billion, of which more than PLN 32 billion is to be provided by contributions from private investors and debt financing. CPK has signed agreements for the design of the Warsaw - Łódź line, which will be the first section of the High Speed Railway (HSR) in Poland. The contractors were selected as part of the largest framework agreement for this type of service in Europe. Some rail projects are envisaged to be implemented under the Public-Private Partnership (PPP) formula.

A contract has also been signed with the designer of the passenger terminal and railway station (the so-called master architect) the Foster + Partners and Buro Happold consortium, and with the Master Civil Engineer (MCE), Dar Al-Handasah, a Lebanese company that has been involved in the design of airports in Doha, Dubai and Chicago, among other places. In addition, 13 companies and consortia have been selected with whom CPK will sign a framework agreement, as part of the first tender for the design of support facilities (SIE – Support Infrastructure Engineer).

CPK has already secured a total of more than PLN 400 million in EU funding from the CEF Connecting Europe Facility.

This year, the European Commission granted CPK funding of around PLN 300 million for the construction project of the strategic HSR line between Warsaw and Łódź. The company plans to apply for further funding. In the current round of the CEF programme, it will apply for grants totalling at least PLN 1.7 billion.

Port investments are another important pillar of Poland's infrastructural development. In autumn 2019, the Council of Ministers adopted a resolution identifying key investments for the programme called: "Programme for the development of Polish seaports until 2030". Implementation of the programme will ensure the efficient functioning and development of Polish seaports and contribute to utilising their full potential. The implementation of the investments indicated in the programme is extremely important for the further dynamic development of the ports and for maintaining and strengthening their position among European ports. The value of the programme until 2030 has been estimated at around PLN 30 billion.

Projects currently under way include the upgrade and deepening of the Świnoujście-Szczecin waterway to a depth of 12.5 metres at a cost of almost PLN 2 billion, the upgrade of the protective breakwater system in the Northern Port in Gdańsk at a cost of almost PLN 800 million, the deepening of the approach fairway and internal basins and the reconstruction of quays in the Port of Gdynia at a cost of almost PLN 600 million, the construction of a protective breakwater in the Port of Gdańsk at a cost of PLN 850 million. The programme was prepared with a view to implementing the "Strategy for Responsible Development until 2020 (with an outlook until 2030)".

Budimex SA remains interested in implementing projects under the public-private partnership (PPP) formula. There are still very few PPP tenders for high-value projects on the Polish market.

The Polish electricity market offers good prospects from the point of view of investing in green generation assets. In 2022, the annual demand for electricity in the Polish electricity system is approximately 174 TWh and 55 GW of installed generation capacity. Currently, Poland has the fifth largest annual electricity demand in Europe, which is largely covered by coal-fired sources. Low-carbon electricity generation accounts for 23 per cent of total output. Over the next decade, Poland will face the challenge of ensuring sufficient generation capacity as coal-fired power plants are being phased out. The main goals and objectives of Poland's energy development are set out in the "Poland's Energy Policy until 2040", which is currently being updated. According to government announcements, a draft of the new document will be prepared by the end of this year. Unofficial information suggests that the share of RES in the energy mix will be higher than originally assumed. The document from 2019 provided for, among other things, an increase in installed photovoltaic capacity to around 10-16 GW (2040), the installation of offshore wind farms with a total capacity of 11 GW by 2040 and an increase in the share of RES in all sectors and technologies by at least 23 per cent (2030). The expansion of the market will be further boosted by the investment programme of the Polskie Sieci Przesyłowe (PSE) and investments under the National Recovery Programme.

The Budimex Group is scouting for further projects to acquire and is working towards the organic development of such plants through a long-term development process.

Between 2022 and 2023, the Budimex Group entered the electromobility business. Budimex Mobility SA's network of electric car chargers has already exceeded 160 stations. The company is among the top 5 players in the market. The electromobility market in Poland is at an early stage of development. Charging station operators are focused on securing attractive locations, whose purchase will pay off as a result of successive improvements in market utilisation. According to estimates by the PSPA, annual sales of electric vehicles (BEVs) in Poland will increase from 14 425 in 2023 to more than 0.5 million cars per year in 2040. The network of charging points will be expanded dozens of times during this period, from 6 639 points in 2023 to nearly 176 000 points in 2040.

Another promising market for the Budimex Group is the waste management and infrastructure maintenance segment. Since 2012, these markets have been developed by FBSerwis Group companies.

The waste management sector in Poland deviates from Western European standards and requires major changes, in line with the trend of promoting a circular economy. Various legal regulations are being introduced at both national and EU level, forcing

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municipalities and producers to reduce waste generation and bear the costs of waste disposal. Thermal treatment and landfilling are the least promoted waste disposal options in the EU. In recent years, along with economic growth, the amount of municipal waste in Poland has been gradually increasing. In 2022, 13.4 million tonnes of waste were produced. Due to the decline in coal mining, a different trend was observed in the case of industrial waste, with over 115 million tonnes generated in 2022, i.e. significantly less than even 10 years ago. A major problem for the industry is the so-called "grey market". It is estimated that around 30 per cent of waste in Poland is managed outside the system. For comparison, the same indicator in Western European countries stands at about 5 per cent. In the long term, recycling and reuse of waste as a raw material should be the primary means of "disposing" of waste. If this happens, the amount of mixed waste, and thus the production of the calorific fraction of waste, should decline. This trend will set the stage for further market development. The level of recycling in Poland (30-40 per cent) is far from the figures observed in other countries: Germany (around 70 per cent), Austria (60 per cent), Italy (50-60 per cent) or Norway and Sweden (50 per cent). This percentage has been increasing in Poland to a small extent in recent years, with the main reason being the insufficient level of funding for raw material recovery by producers of packaged goods.

The FBSerwis Group is active in the infrastructure maintenance industry, mainly with regard to the national and local road network. As a result of the successive implementation of the National Road and Motorway Construction Programme, the length of expressways and motorways has increased to more than 5 000 kilometres in recent years. The target network is expected to be over 8 000 kilometres. Over time, the emphasis will shift from road construction to road maintenance and repair. The same trends will be observed at the local level, where the expansion of the road network is supported by programmes such as: the New Deal or the Programme for Strengthening the National Road Network.

1.3 Strategy adopted by the issuer and its capital group

Formally, the Management Board of Budimex SA did not adopt a growth strategy for the Company and the Budimex Group. Nonetheless, the Management Board of Budimex SA takes steps aimed at increasing the company's value for all shareholders. In the reporting period as well as in the perspective of the next financial year, the Management Board of Budimex SA intends to build the Company's value by focusing on improving the margin on the order book and winning new, profitable construction contracts. In the long run, the Management Board of Budimex SA will consistently strive to diversify its activities in the construction business (e.g. strengthening its presence in such market segments as the railway segment or hydraulic engineering construction segment, and entering new areas of operations, i.e. the military project sector). In 2021-2023, a number of measures were taken to expand geographically, in particular into the German, Latvian, Czech and Slovak markets, which resulted in securing the first contracts. Last year was an exceptional year for us in terms of new lines of business, namely renewable energy and electromobility. In September, our first wind farm started producing green energy. During the year, we set up a new company, BXF Energia Sp. z o.o., through which we would like to build a portfolio of renewable energy projects with a wind and solar capacity of around 500 MW within four to five years. We are currently analysing projects at various stages of development with a capacity of around 800 MW. On the other hand, we have been successively building our capacity in the area of electromobility. We are one of the largest players in the area of national electric vehicle charging infrastructure. At present, Budimex Mobility has more than 160 publicly available chargers and internal plans target 230 chargers by the end of 2024.

2 CURRENT ACTIVITIES AND DEVELOPMENT PERSPECTIVES FOR THE BUDIMEX GROUP

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

The main area of business activities of the Group are broadly interpreted construction and assembly services rendered in the system of general contracting at home and abroad, as well as service and manufacturing activities. As part of its service activities, the Budimex Group deals with municipal waste management, comprehensive road maintenance and technical maintenance of buildings. The results of the services component also include the activities of companies in the RES area and Budimex Parking Wrocław.

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

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

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Changes in the Group's organisation:

On **12 July 2023**, WMSerwis SA, in which Budimex SA subscribed for 100 per cent of the shares, was entered in the National Court Register.

On **25 September 2023**, BXF Energia Sp. z o.o., in which Budimex SA subscribed for 51 per cent of the shares, was entered in the National Court Register.

On **15 May 2023**, Mostostal Kraków SA, a wholly-owned subsidiary of Budimex SA, acquired 100 per cent of the shares in Przedsiębiorstwo Produkcyjno-Usługowo-Handlowe Konstalex Sp. z o.o.

In 2023, there were no changes in the management policies at the Budimex Group or in the management policies of Budimex SA.

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

Company name	Registered office	Share in the share capital and in the number of votes (%)		Consolidation method	
		31 December 2023	31 December 2022	31 December 2023	31 December 2022
Parent company					
Budimex SA	Warsaw / Poland			full	full
Consolidated					
Mostostal Kraków SA	Kraków / Poland	100.00%	100.00%	full	full
Mostostal Kraków Energetyka Sp. z o.o.	Kraków / Poland	100.00%	100.00%	full	full
Budimex Bau GmbH	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 Kamieński Sp. z o.o.	Kamieński / Poland	80.00%	80.00%	full	full
Budimex Parking Wrocław Sp. z o.o.	Warsaw / Poland	51.00%	51.00%	full	full
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	Warsaw / Poland	100.00%	100.00%	full	full
Budimex Slovakia s.r.o.	Bratislava/Slovakia	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.	Warsaw / Poland	100.00%	100.00%	full	non-consolidated
Budimex A Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	full	non-consolidated
Budimex O Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	full	non-consolidated
Budimex P Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	full	non-consolidated
Budimex R Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	full	non-consolidated
BxF Energia Sp. z o.o.	Warsaw / Poland	51.00%	-	full	-
PPUH Konstalex Sp. z o.o.	Radomsko / Poland	100.00%	-	full	-
Green Waste Management 1 Sp. z o.o.	Warsaw / Poland	100.00%	-	full	-
Green Waste Management 2 Sp. z o.o.	Warsaw / Poland	100.00%	-	full	-
Green Waste Management 3 Sp. z o.o.	Warsaw / Poland	100.00%	-	full	-
Green Waste Management 4 Sp. z o.o.	Warsaw / Poland	100.00%	-	full	-
Green Waste Management 5 Sp. z o.o.	Warsaw / Poland	100.00%	-	full	-
Green Waste Management 6 Sp. z o.o.	Warsaw / Poland	100.00%	-	full	-

Directors' Report on the activities of the Budimex Group and Budimex SA in 2023

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

Non-consolidated

Company name	Registered office	Share in the share capital and in the number of votes (%)	Method of recognition in the financial statements
Budimex Autostrada A1 SA (w likwidacji)	Warsaw / Poland	100.00%	non-consolidated
Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. w upadłości likwidacyjnej	Warsaw / Poland	100.00%	non-consolidated
Budimex C Sp. z o.o.	Warsaw / Poland	100.00%	non-consolidated
Budimex D Sp. z o.o.	Warsaw / Poland	100.00%	non-consolidated
Budimex F Sp. z o.o.	Warsaw / Poland	100.00%	non-consolidated
Budimex H Sp. z o.o.	Warsaw / Poland	100.00%	non-consolidated
Budimex I Sp. z o.o.	Warsaw / Poland	100.00%	non-consolidated
Budimex J Sp. z o.o.	Warsaw / Poland	100.00%	non-consolidated
Budimex K Sp. z o.o.	Warsaw / Poland	100.00%	non-consolidated
ConVentures Sp. z o.o.	Warsaw / Poland	100.00%	non-consolidated
ASI 1 Conventures Sp. z o.o. SKA	Warsaw / Poland	100.00%	non-consolidated
Budimex Construction Prague s.r.o.	Prague / Czech Republic	100.00%	non-consolidated
Budimex M Sp. z o.o.	Warsaw / Poland	100.00%	non-consolidated
Budimex N Sp. z o.o.	Warsaw / Poland	100.00%	non-consolidated
WM Serwis SA	Warsaw / Poland	100.00%	non-consolidated

Company name	Registered office	Share in the share capital and in the number of votes (%)		Method of recognition in the financial statements	
		31 December 2023	31 December 2022	31 December 2023	31 December 2022

Joint operations

Budimex SA Cadagua SA III s.c.	Warsaw / Poland	99.90%	99.90%	share in assets, liabilities, revenues and costs	share in assets, liabilities, revenues and costs
Budimex SA Cadagua SA IV s.c.	Warsaw / Poland	99.90%	99.90%		
Budimex SA Cadagua SA V s.c.	Warsaw / Poland	99.90%	99.90%		
Budimex SA 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	Berlin / Germany	100.00%	-		
ARGE Campus Düppel	Berlin / Germany	100.00%	-		
ARGE Wollin	Berlin / Germany	100.00%	-		
ARGE Delmenhorst	Berlin / Germany	100.00%	-		
E.R.B. Rail JV PS	Riga / Latvia	37.5%	-		
Budimex SA Ferroviol Agroman SA 2 s.c.	Warsaw / Poland	-	95.00%		
Budimex SA Ferroviol Construcción SA sp.j.	Warsaw / Poland	-	50.00%		

2.2 Operating segments and branches of the Parent Company

As at 31 December 2023, the Group conducted business in the following operating segments:

- construction business,
- service activities.

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

- Budimex SA
- Mostostal Kraków SA
- Mostostal Kraków Energetyka Sp. z o.o.
- Budimex Bau GmbH
- Budimex Budownictwo Sp. z o.o.
- Budimex Kolejnictwo SA
- RailBX GmbH
- Budimex Slovakia s.r.o.
- PPUH Konstalex Sp. z o.o.

Directors' Report on the activities of the Budimex Group and Budimex SA in 2023

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

The segment of service activities comprises comprehensive services in the field of with municipal waste management, comprehensive road and lighting infrastructure maintenance and technical operation (maintenance) of buildings, also in the form of public-private partnership (PPP). This segment also includes electricity generation from renewable energy sources. Included in this operating segment are the following Group companies:

- Budimex Parking Wrocław Sp. z o.o.
- FBSerwis SA
- FBSerwis A Sp. z o.o.
- FBSerwis B Sp. z o.o.
- FBSerwis Dolny Śląsk Sp. z o.o.
- FBSerwis Wrocław Sp. z o.o.
- FBSerwis Karpatia Sp. z o.o.
- FBSerwis Kamieński Sp. z o.o.
- FBSerwis Odbiór Sp. z o.o.
- 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.
- Budimex A Sp. z o.o.
- Budimex O Sp. z o.o.
- Budimex P Sp. z o.o.
- Budimex R Sp. z o.o.
- BxF Energia Sp. z o.o.
- Green Waste Management 1 Sp. z o.o.
- Green Waste Management 2 Sp. z o.o.
- Green Waste Management 3 Sp. z o.o.
- Green Waste Management 4 Sp. z o.o.
- Green Waste Management 5 Sp. z o.o.
- Green Waste Management 6 Sp. z o.o.

As at 31 December 2023, the Parent Company operated the following branches:

- General Construction North Branch in Poznań, ul. Wołowska 92A,
- General Construction South Branch in Kraków, ul. Wielicka 20,
- General Construction East Branch in Warsaw, ul. Siedmiogrodzka 9,
- Infrastructure North Branch in Warsaw, ul. Siedmiogrodzka 9,
- Infrastructure South Branch in Kraków, ul. Wielicka 20,
- Infrastructure West Branch in Wrocław, ul. Mokronoska 2,
- Industrial and Railway Branch in Warsaw, ul. Siedmiogrodzka 9,
- Equipment Services Branch in Pruszków, ul. Przejazdowa 24,
- Branch in Rzeszów, ul. Słowackiego 24,
- Branch in Poznań, ul. Wołowska 92A,
- Budimex SA Zweigniederlassung Köln, Pferdmenigesstr. 5, Cologne, Germany,
- Branch in the Czech Republic, ul. Ceskobrodská 1174, Prague, Czech Republic,
- Branch in Slovakia, ul. Vajnorska 100B, Bratislava, Slovakia.
- Branch in Latvia, Mukusalas Iela 41, Riga, Latvia.

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

- Mostostal Kraków Spółka Akcyjna Zweigniederlassung Köln, Pferdmenigesstrasse 5, Cologne, Germany.

Directors' Report on the activities of the Budimex Group and Budimex SA in 2023

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

2.3 Structure of sales revenues

2.3.1 Structure of sales revenues of the Budimex Group

Sales of the construction segment

In 2023, the construction market in Poland (measured by the value of sales of construction and assembly production) increased, according to the Central Statistical Office, by nearly 15.4 per cent compared to 2022. A strong increase was recorded in both the infrastructure construction area (+24.1 per cent) and the general construction sector (+6.5 per cent). In contrast, the residential construction segment saw a slowdown in activity (-6.8 per cent). At the same time, there was an increase in non-residential construction activity (+15.0 per cent), driven by improvements within the construction of commercial, industrial and warehouse buildings.

In the financial year 2023, Budimex Group's sales revenue in the construction segment increased by 13.8 per cent over 2022.

The share of the infrastructural construction segment in total revenue from sales of the Group's construction and assembly services increased from 38.8 per cent in 2022 to 40.2 per cent in 2023. The share of the railway segment in the revenue structure of the Group's construction segment increased from 24.2 per cent to 28.1 per cent in 2023. The share of the general construction segment, on the other hand, dropped from 37.0 per cent in 2022 to 31.7 per cent in 2023.

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

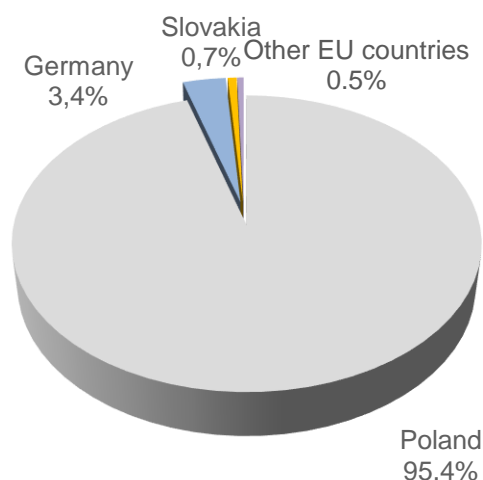
Type of construction	Sales value			
	2023		2022	
	PLN million	%	PLN million	%
Civil engineering (infrastructure)	3 578	40.2%	3 035	38.8%
Rail buildings and structures	2 498	28.1%	1 889	24.2%
General construction, of which:	2 826	31.7%	2 897	37.0%
- non-residential buildings	2 709	30.4%	2 668	34.1%
- residential buildings	117	1.3%	229	2.9%
Total sales of the construction segment	8 902	100.0%	7 821	100.0%

Geographical structure of the Budimex Group's revenues from sales in 2023

The main markets on which the Budimex Group operates are:

- Poland
- Germany
- Slovakia

The geographical structure of revenues from sales (with respect to construction activities) in 2023 was as follows:



Directors' Report on the activities of the Budimex Group and Budimex SA in 2023

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

Major construction contracts concluded by the Budimex Group companies in 2023:

Contract date	Customer	Contract value allocated to the Budimex Group	Type of construction
2023-10-13	PKP Polskie Linie Kolejowe SA	764 657	Execution of construction works and preparation of a detailed design and execution of construction works for the installation of railway traffic control equipment and railway telecommunication network equipment, including the provision of post-guarantee services for this equipment on the Tychy – Wisła Bridge junction post section
2023-11-07	Gdańsk Transport Company SA	569 146	Renovation of the road surface of the Motorway on the section between Rusocin and Czerniewice – replacement of the wearing course and partially binding layer in both directions and partial reinforcement of the existing structure of the roads surfaces and accompanying works
2023-07-21	General Directorate for National Roads	549 429	Continuation of the design and construction of the Zabierzów bypass along National Road 79
2023-05-11	PKP Polskie Linie Kolejowe SA	339 017	Railway line No. 104 Chabówka - Nowy Sącz at section A1 along with technical infrastructure
2023-12-14	General Directorate for National Roads	289 117	Design and construction of the S8 express road at the section from Wrocław to Kłodzko, task 3 from Jordanów Śląski junction (without the junction) to Łagiewniki Zachód junction (with the junction) with the length of approx. 11.2 km
2023-05-17	City of Rybnik	218 012	Construction of the Racibórz-Pszczyna Regional Road – completion of the southern bypass of Rybnik along provincial road DW935 in Rybnik
2023-03-21	Operator Gazociągów Przesyłowych	188 700	Construction of the DN700 MOP 8.4 MPa gas pipeline between Rembelszczyzna and Mory together with the infrastructure necessary for its operation
2023-12-08	General Directorate for National Roads	186 241	Extension of national road No 65 on the Gąski - Elk section
2023-04-13	Provincial Road Administration	166 093	Reconstruction of Provincial Road No. 928 at the section from National Road 44 to the junction with National Road 1

2.3.2 Structure of sales revenues of Budimex SA

Sales of construction and assembly services

In 2023, sales of construction and assembly services of the Company increased by 12.2 per cent when compared to 2022. Sales of the infrastructural segment increased to PLN 3 547 thousand in 2023 from PLN 3 019 thousand in 2022 (by 17.5 per cent). Sales in the rail area increased by 32.6 per cent from PLN 1 877 million to PLN 2 489 million in 2023. Sales in the general construction segment decreased by 9.2 per cent from PLN 2 555 million in 2022 to PLN 2 321 million in 2023.

Directors' Report on the activities of the Budimex Group and Budimex SA in 2023

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

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

Type of construction	Sales value			
	2023		2022	
	PLN million	%	PLN million	%
Civil engineering (infrastructure)	3 547	42.4%	3 019	40.5%
Rail buildings and structures	2 489	29.8%	1 877	25.2%
General construction, of which:	2 321	27.8%	2 555	34.3%
- non-residential buildings	2 206	26.4%	2 326	31.2%
- residential buildings	115	1.4%	229	3.1%
Total sales of construction and assembly services	8 357	100.0%	7 451	100.0%

Geographical structure of Budimex SA sales revenues in 2023

The main markets on which Budimex SA operates are:

- Poland
- Germany
- Slovakia

The geographical structure of revenues from sales in 2023 is as follows:



2.4 Construction activities of the Budimex Group on the German market¹

In 2023, workshop services were rendered on the German market. Sales revenues amounted to PLN 222 556 thousand (of which Budimex SA accounted for PLN 195 127 thousand and Mostostal Kraków SA for PLN 27 429 thousand) and were lower by PLN 17 358 thousand, i.e. by 7.2 per cent compared to 2022. A decrease was recorded in the case of prefabrication works (10.5 per cent), while an increase was recorded for metal-related works (8.7 per cent). The crisis in the construction market caused a drop in orders for prefabricated elements in 2023, resulting in lower sales. The operating profit on the German market amounted to PLN 20 584 thousand in 2023, while in 2022 it was PLN 28 797 thousand. Overall profitability in 2023 stood at 9.2 per cent, while in 2022 it was 12 per cent. Customer structure shows dispersion and only one customer exceeded 10 per cent of total turnover (it accounted for 12 per cent of total turnover).

In 2023, Budimex Bau GmbH, a wholly-owned subsidiary of Budimex SA, continued to develop its activities in the construction sector, in the road infrastructure segment and in general construction segment. Revenue in 2023 stood at EUR 9 510 thousand. At the same time, the Company has secured new contracts with a total value of EUR 22 343 thousand, which will help to increase revenue in the coming years.

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

Directors' Report on the activities of the Budimex Group and Budimex SA in 2023

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

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

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

The value of orders signed by the Budimex Group in 2023 was 5.2 per cent higher than in the previous year. The diversified structure of the order portfolio (including long-term "design and build" contracts) largely secures the work front for the next 2 years. The Group continues to take steps to expand geographically, in particular into the German, Czech, Slovak and Latvian markets.

In 2023, the first construction contract was signed in the Czech market, worth PLN 102 million. Looking ahead to the next few years, the aforementioned markets may be a source of additional orders that will allow us to maintain a stable order portfolio, also in the long term.

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

The Budimex Group also operates in the segment of renewable energy sources – not only as a contractor of this type of installation, but also as an investor. In February 2022, the Company acquired a project for a ready-to-build wind farm located in the Wielkopolskie province with a capacity of up to 7 MW. The "Magnolia" wind farm (Magnolia Energy Sp. z o.o.), was commissioned in the second half of 2023, and electricity output from this farm exceeded 8 GWh in 2023. In addition, the Budimex Group has been developing photovoltaic projects. As part of the development of this segment, the photovoltaic farm "Kamelia" (Fotowoltaika HIG XIV Sp. z o.o.) was acquired in November 2022. The project was acquired in the form of the purchase of shares in a company that had complete documentation for the construction of a 14 MW photovoltaic farm. In 2023, work was underway to build a photovoltaic facility, but this work has not yet been completed. The energy produced by this farm should largely cover Budimex SA's demand for electricity.

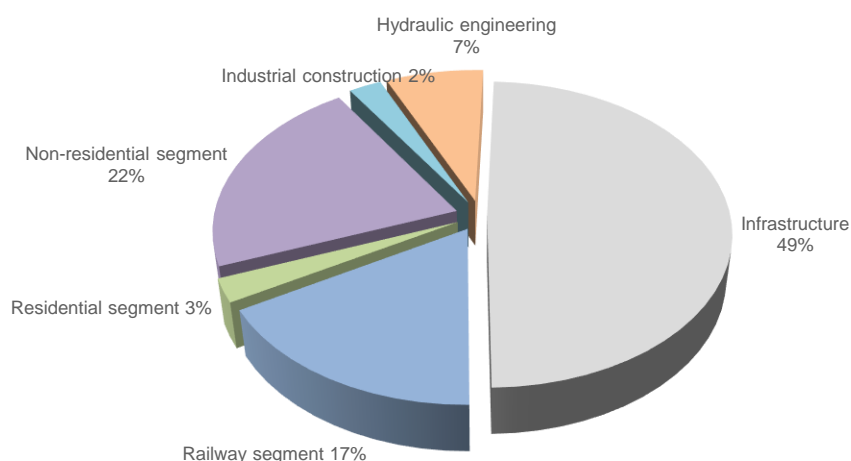
In April 2023, Budimex SA and its partner in the Ferrovial Group - Ferrovial Energy Infrastructure and Mobility - signed a partners' agreement establishing a new joint venture company, BXF Energia Sp. z o.o. Budimex SA has a majority share (51 per cent) in the new entity. The objective of the company is the development of renewable energy projects, their construction and operation. The company is focused on projects in photovoltaic and wind farm technology. The development has commenced by securing further sites for potential power plants with a capacity of several hundred MW. At the same time, it admits further acquisitions of projects in readiness for construction. Further efforts will be made to organically develop this type of facilities in the coming years.

Further growth of the FBSerwis Group is planned, particularly in the area of municipal services, both organically and through potential acquisitions of entities with an established market position.

In 2023, the Budimex Group companies signed construction contracts for a total value of PLN 8 289 576 thousand (with annexes). The value of the order portfolio of the Budimex Group as at 31 December 2023 amounted to PLN 13 139 554 thousand, which was on a par with the end of 2022.

In 2023, Budimex SA in turn signed construction contracts for a total value of PLN 7 470 358 thousand (with annexes). As at 31 December 2023, the order portfolio amounted to PLN 11 943 325 thousand.

The structure of the Budimex Group's order portfolio as at 31 December 2023 is as follows:



2.6 Evaluation of investment project feasibility

In 2023, the Budimex Group plans to incur capital expenditure of approx. PLN 230 million, of which approx. PLN 70 million will be incurred by Budimex SA, approx. PLN 25 million – by Budimex Kolejnictwo SA, PLN 35 million by the FBSerwis Group and PLN 35 million for the development of photovoltaic and wind farms. Key expenditure will be incurred for the purchase of construction and railway machinery and implementation of IT projects, as well as investment in renewable energy sources. Capital expenditure planned by the FBSerwis Group will include investments in the area of municipal services and means of transport.

Directors' Report on the activities of the Budimex Group and Budimex SA in 2023

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

2.7 Risk factors

In the course of its activities, the Budimex Group is exposed to a number of risks, of which the most significant groups of risks affecting the Company are as follows:

- financial risks: currency risk, price risk, credit risk;
- technical risks;
- legal risks.

Information concerning the financial risk management objectives and policies adopted by the Group is presented in the consolidated financial statements for the year ended 31 December 2023 (note 4).

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

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

- economic uncertainty related to the war in Ukraine,
- increases in costs of subcontractor services, limited availability or bankruptcy of subcontractors,
- increases in employment costs and limited availability of qualified employees,
- increases in prices of construction materials, energy and oil derivatives,
- delays in timely performance or insufficient quality of subcontracted works,
- delays in obtaining relevant administrative decisions,
- changes in the scope of work or technologies as agreed in the contracts,
- unfavourable weather or land conditions.

2.8 Procurement source changes

In 2023, there were no significant changes in the procurement sources for construction sites. None of the suppliers of raw materials or services exceeded 10 per cent of the Budimex Group's and Budimex SA's sales.

3 FINANCIAL POSITION

3.1 Key economic and financial data

3.1.1 Key economic and financial data of the Budimex Group

The financial situation of the Budimex Group in 2023 is characterised by selected items disclosed in the Statement of Financial Position and Profit and Loss Account (broken down below together with the 2022 comparative data).

Consolidated statement of financial position of the Budimex Group

The main items of the Consolidated Statement of Financial Position of the Budimex Group as at 31 December 2023, compared to 31 December 2022, are presented in the table below:

ASSETS	31.12.2023	31.12.2022	Change	Change %
Non-current assets	2 001 776	1 818 134	183 642	10.10%
Property, plant and equipment	717 986	640 734	77 252	12.06%
Intangible assets	131 112	145 094	(13 982)	(9.64%)
Goodwill of subordinates	178 198	178 198	-	0.0%
Investments in equity accounted companies	2 657	2 405	252	10.48%
Investments in equity instruments	3 892	7 545	(3 653)	(48.42%)
Retentions for construction contracts	67 631	83 393	(15 762)	(18.90%)
Trade and other receivables	26 718	24 441	2 277	9.32%
Concession agreement receivables	46 266	46 511	(245)	(0.53%)
Other financial assets	16 890	4 777	12 113	253.57%
Deferred tax assets	810 426	685 036	125 390	18.30%
Current assets	6 416 465	5 569 074	847 391	15.22%
Inventories	607 977	743 778	(135 801)	(18.26%)
Trade and other receivables	1 306 258	952 515	353 743	37.14%

Directors' Report on the activities of the Budimex Group and Budimex SA in 2023

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

ASSETS	31.12.2023	31.12.2022	Change	Change %
Retentions for construction contracts	91 726	83 120	8 606	10.35%
Valuation of construction contracts	477 383	532 484	(55 101)	(10.35%)
Current tax assets	420	1 957	(1 537)	(78.54%)
Other financial assets	32 411	5 851	26 560	453.94%
Cash and cash equivalents	3 900 290	3 249 369	650 921	20.03%
TOTAL ASSETS	8 418 241	7 387 208	1 031 033	13.96%

As at 31 December 2023, consolidated total assets increased by PLN 1 031 033 thousand compared to 31 December 2022, mainly due to a 10.1 per cent (PLN 183 642 thousand) increase in non-current assets and a 15.22 per cent (PLN 847 391 thousand) increase in current assets.

Non-current assets:

The change in the value of non-current assets as at 31 December 2023 compared to 31 December 2022 was caused mainly by the following:

- an increase in property, plant and equipment by PLN 77 252 thousand, including an increase due to the purchase and lease of property, plant and equipment in the amount of PLN 238 517 thousand, and PLN 17 236 thousand as a result of taking control over PPUH Konstalex Sp. z o.o. and the 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. and Budimex R Sp. z o.o. In turn, the decrease in the balance was driven by, among other factors, depreciation of property, plant and equipment in the amount of PLN 136 653 thousand.
- an increase in the balance of deferred tax assets by PLN 125 390 thousand due to an increased balance of negative temporary differences on items included in liabilities.

Current assets:

In the same period, current assets increased by PLN 847 391 thousand mainly due to an increase in the balance of cash and cash equivalents by PLN 650 921 thousand, generated from operating activities. Other changes in current assets were related to:

- an increase in the balance of trade and other receivables by PLN 353 743 thousand mainly as a result of the issue of invoices by Group companies for construction work performed in the last days of 2023,
- a decrease in the balance of inventories by PLN 135 801 thousand as a result of the integration of previously purchased materials.

EQUITY AND LIABILITIES	31.12.2023	31.12.2022	Change	Change %
Shareholders' equity attributable to the shareholders of the Parent Company	1 530 815	1 258 384	272 431	21.65%
Share capital	145 848	145 848	-	0.0%
Share premium	80 199	80 199	-	0.0%
Other reserves	54 555	56 413	(1 858)	(3.29%)
Foreign exchange differences on translation of foreign operations	2 471	7 092	(4 621)	(65.16%)
Retained earnings	1 247 742	968 832	278 910	28.79%
Equity attributable to non-controlling interests	39 483	41 071	(1 588)	(3.87%)
Total shareholders' equity	1 570 298	1 299 455	270 843	20.84%
Liabilities	6 847 943	6 087 753	760 190	12.49%
Non-current liabilities	1 096 208	1 029 009	67 199	6.53%
Loans, borrowings and other external sources of finance	172 405	148 706	23 699	15.94%
Retentions for construction contracts	244 196	229 963	14 233	6.19%
Provisions for non-current liabilities and other charges	656 385	626 314	30 071	4.80%
Retirement benefits and similar obligations	13 366	10 070	3 296	32.73%
Other financial liabilities	8 223	12 807	(4 584)	(35.79%)
Deferred tax liabilities	1 633	1 149	484	42.12%
Current liabilities	5 751 735	5 058 744	692 991	13.70%
Loans, borrowings and other external sources of finance	64 186	76 435	(12 249)	(16.03%)
Trade and other payables	1 782 006	1 516 956	265 050	17.47%
Retentions for construction contracts	226 816	218 039	8 777	4.03%
Provisions for construction contract losses	771 947	803 263	(31 316)	(3.90%)
Valuation of construction contracts	1 767 989	1 493 517	274 472	18.38%

Directors' Report on the activities of the Budimex Group and Budimex SA in 2023

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

EQUITY AND LIABILITIES	31.12.2023	31.12.2022	Change	Change %
Deferred revenue	469 798	578 658	(108 860)	(18.81%)
Provisions for current liabilities and other charges	557 394	337 818	219 576	65.00%
Current tax liability	107 471	29 245	78 226	267.49%
Retirement benefits and similar obligations	2 539	1 578	961	60.90%
Other financial liabilities	1 589	3 235	(1 646)	(50.88%)
TOTAL EQUITY AND LIABILITIES	8 418 241	7 387 208	1 031 033	13.96%

Equity and liabilities:

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

- an increase in "retained earnings" by PLN 278 910 thousand as a result of the generation of a net profit for 12 months of 2023 and the payment of dividends for 2022,
- an increase in non-current liabilities by PLN 67 199 thousand, mainly due to:
 - an increase in long-term loans, borrowings and other external sources of finance by PLN 23 699 thousand as a result of, among other factors, granting a long-term investment loan to Magnolia Energy Sp. z o.o.;
 - an increase in the balance of provisions for non-current liabilities and other charges by PLN 30 071 thousand, which mainly relates to the recognition of an additional provision for warranty repairs and for reclamation,
 - an increase in the balance of retentions for construction contracts by PLN 14 233 thousand, mainly due to the larger scale of operations and thus higher retentions from subcontractors,
- an increase in current liabilities by PLN 692 991 thousand, of which the greatest balance movements related to the following:
 - an increase in the balance of trade and other payables by PLN 265 050 thousand, which was correlated with the increase in the scale of operations and the increase in sales revenues generated,
 - an increase in the balance of valuation of construction contracts by PLN 274 472 thousand, as a result of a seasonal increase in the balance of over-invoicing, particularly on contracts performed for public customers,
 - an increase in the balance of provisions for current liabilities and other charges by PLN 219 576 thousand, mainly as a result of the recognition of provisions for penalties,
 - a decrease in the balance of deferred revenue by PLN 108 860 thousand, mainly due to the settlement of prepayments received in previous financial years.

Consolidated Profit and Loss Account of the Budimex Group

CONSOLIDATED PROFIT AND LOSS ACCOUNT	01.01 - 31.12.2023	01.01- 31.12.2022	Change	Change %
Net sales of finished goods and services, goods for resale and raw materials	9 801 515	8 619 054	1 182 461	13.72%
Cost of finished goods, services, goods for resale and raw materials sold	(8 676 934)	(7 746 611)	(930 323)	12.01%
Gross profit on sales	1 124 581	872 443	252 138	28.90%
Selling expenses	(13 516)	(13 530)	14	(0.10%)
Administrative expenses	(371 396)	(317 153)	(54 243)	17.10%
Other operating income	125 722	65 235	60 487	92.72%
Other operating expenses	(84 264)	(44 568)	(39 696)	89.07%
Operating profit	781 127	562 427	218 700	38.89%
Finance income	203 048	131 961	71 087	53.87%
Finance costs	(54 868)	(45 589)	(9 279)	20.35%
Shares in net profits / (losses) of equity accounted subordinates	305	135	170	125.93%
Gross profit	929 612	648 934	280 678	43.25%
Income tax	(183 547)	(100 805)	(82 742)	82.08%
Net profit (loss) on continuing activities	746 065	548 129	197 936	36.11%
Net profit for the period	746 065	548 129	197 936	36.11%
<i>of which:</i>				
- attributable to the shareholders of the parent company	738 196	534 443	203 753	38.12%
- attributable to non-controlling interests	7 869	13 686	(5 817)	(42.50%)

In 2023, the Budimex Group earned sales revenues of PLN 9 801 515 thousand, which represents a 13.72 per cent increase compared to the revenue earned in 2022.

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

In 2023, construction and assembly output in Poland expressed in current prices increased by 15.4 per cent year-on-year, while sales of the Budimex Group's construction segment on the domestic market increased by 13.3 per cent in comparable periods.

In 2023, gross profit on sales stood at PLN 1 124 581 thousand, while in the previous year it reached PLN 872 443 thousand. The gross sales profitability in 2023 was 11.5 per cent and in 2022 this figure was 10.1 per cent.

In accordance with the adopted accounting policies, as soon as Group companies become aware of the fact that budgeted construction contract costs exceed the entire expected contract revenues, they create provisions for expected contract losses and recognise them in the consolidated statements of financing activities under "Provisions for construction contract losses". As at 31 December 2023, the balance of the provision for contract losses amounted to PLN 771 947 thousand. In 2023, the balance of the provision for contract losses was reduced by PLN 31 316 thousand. The Budimex Group companies are required to provide guarantees for their construction services. As at 31 December 2023, the balance of provisions for warranty repairs was PLN 739 910 thousand. In the 12-month period ended 31 December 2023, the balance of provisions for warranty repairs increased by PLN 103 940 thousand.

Compared to the previous year, selling expenses decreased in the twelve-month period ended 31 December 2023 by PLN 14 thousand, while administrative expenses were PLN 54 243 thousand higher than the expenses incurred in 2022. The share of the sum total of selling and administrative expenses in total sales revenue increased from 3.8 per cent in 2022 to 3.9 per cent in 2023.

Other operating income in 2023 amounted to PLN 125 722 thousand and other operating expenses – to PLN 84 264 thousand. Detailed analytics of other operating income and expenses are presented in Note 32 to the consolidated financial statements.

In 2023, the Group posted an operating profit of PLN 781 127 thousand, representing 8.0 per cent of total sales revenues. In the previous year, the Group reported an operating profit of PLN 562 427 thousand, representing 6.5 per cent of total sales revenues.

In the 12-month period ended 31 December 2023, the Group reported profit on financing activities in the amount of PLN 148 180 thousand, while in 2022 – a profit of PLN 86 372 thousand. Detailed analytics of finance income and costs are presented in note 33 to the consolidated financial statements.

In 2023, the Group reported a gross profit of PLN 929 612 thousand, while in the previous year a gross profit of PLN 648 934 thousand.

Income tax expense for 2023 was PLN 183 547 thousand, of which:

- current tax – PLN 310 553 thousand (including prior years' corrections of PLN -18 301 thousand),
- deferred tax – PLN (127 006) thousand.

As at 31 December 2023, the Group recognised deferred tax assets in the amount of PLN 810 426 thousand and deferred tax liabilities in the amount of PLN 1 633 thousand, while as at 31 December 2022 the Group recorded deferred tax assets of PLN 685 036 thousand and deferred tax liabilities of PLN 1 149 thousand. Items of deferred income tax asset reported in the statement of financial position of the Budimex Group result mainly from the specific method of settlement of construction contracts, under which the moment of recognition of costs as incurred and revenue as earned is different from the tax and accounting perspective.

The net profit on continuing operations attributable to the shareholders of Budimex SA for 2023 was PLN 738 196 thousand, whereas for 2022 it amounted to PLN 534 443 thousand, representing an increase by 38.1 per cent.

Net profit attributable to non-controlling interest for 2023 amounted to PLN 7 869 thousand. In the previous year, net profit attributable to non-controlling interest stood at PLN 13 686 thousand.

3.1.2 Key economic and financial data of Budimex SA

The financial situation of Budimex SA in 2023 is characterised by selected items disclosed in the Statement of Financial Position and Profit and Loss Account (as below, together with the 2022 comparative data).

Statement of financial position of Budimex SA

The main items of the Company's Statement of Financial Position as at 31 December 2023, compared to 31 December 2022, are presented in the table below:

Directors' Report on the activities of the Budimex Group and Budimex SA in 2023

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

ASSETS	31.12.2023	31.12.2022	Change	Change %
Non-current assets	1 707 685	1 559 970	147 715	9.47%
Property, plant and equipment	200 660	192 563	8 097	4.20%
Intangible assets	30 521	34 459	(3 938)	(11.43%)
Investments in subsidiaries	489 238	485 513	3 725	0.77%
Investments in associates	191	191	-	0.00%
Investments in other entities	93	3 266	(3 173)	(97.15%)
Other financial assets	119 238	83 740	35 498	42.39%
Trade and other receivables	26 187	24 313	1 874	7.71%
Retentions for construction contracts	65 920	80 269	(14 349)	(17.88%)
Deferred tax assets	775 637	655 656	119 981	18.30%
Current assets	5 641 648	4 882 969	758 679	15.54%
Inventories	569 646	682 011	(112 365)	(16.48%)
Trade and other receivables	1 032 531	801 590	230 941	28.81%
Retentions for construction contracts	86 476	77 228	9 248	11.97%
Valuation of construction contracts	438 299	485 840	(47 541)	(9.79%)
Other financial assets	29 709	5 475	24 234	442.63%
Cash and cash equivalents	3 484 987	2 830 825	654 162	23.11%
TOTAL ASSETS	7 349 333	6 442 939	906 394	14.07%

As at 31 December 2023, the total assets increased by PLN 906 394 thousand as compared to 31 December 2022, and amounted to PLN 7 349 333 thousand. Changes in the Statement of Financial Position were mainly related to the following events:

Non-current assets:

The most significant changes in non-current assets were as follows:

- a decrease in the balance of retentions for construction contracts by PLN 14 349 thousand,
- an increase in the balance of deferred tax assets by PLN 119 981 thousand due to an increased balance of negative temporary differences on items included in liabilities,
- an increase in the balance of other financial assets resulting mainly from loans granted to subsidiaries: Magnolia Energy Sp. z o.o., Budimex F Sp. z o.o. and Fotowoltaika HIG XIV Sp. z o.o. in the total amount of PLN 22 130 thousand and an increase from the valuation of financial instruments.

Current assets:

In the same period, the value of current assets increased by PLN 758 679 thousand, mainly as a result of the following events:

- an increase in the balance of cash by PLN 654 162 thousand, generated primarily from operating activities,
- a decrease in the balance of inventories by PLN 112 365 thousand as a result of the consumption of materials accumulated in the previous year,
- an increase in trade and other receivables by PLN 230 941 thousand, mainly as a result of an increase in trade receivables by PLN 253 455 thousand.

EQUITY AND LIABILITIES	31.12.2023	31.12.2022	Change	Change %
Share capital	145 848	145 848	-	0.00%
Share premium	80 199	80 199	-	0.00%
Other reserves	56 285	57 672	(1 387)	(2.40%)
Foreign exchange differences on translation of foreign operations	5 112	6 323	(1 211)	(19.15%)
Retained earnings / (accumulated losses)	911 534	621 251	290 283	46.73%
Total shareholders' equity	1 198 978	911 293	287 685	31.57%
Liabilities	6 150 355	5 531 646	618 709	11.18%
Non-current liabilities	894 687	863 633	31 054	3.60%
Loans, borrowings and other external sources of finance	62 553	74 274	(11 721)	(15.78%)
Retentions for construction contracts	234 390	221 109	13 281	6.01%
Provisions for non-current liabilities and other charges	581 277	554 065	27 212	4.91%
Retirement benefits and similar obligations	10 062	7 564	2 498	33.02%
Other financial liabilities	6 405	6 621	(216)	(3.26%)
Current liabilities	5 255 668	4 668 013	587 655	12.59%
Loans, borrowings and other external sources of finance	41 307	49 328	(8 021)	(16.26%)

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

EQUITY AND LIABILITIES	31.12.2023	31.12.2022	Change	Change %
Trade and other payables	1 510 473	1 289 391	221 082	17.15%
Retentions for construction contracts	213 732	205 273	8 459	4.12%
Provisions for construction contract losses	758 236	791 275	(33 039)	(4.18%)
Valuation of construction contracts	1 722 253	1 461 856	260 397	17.81%
Deferred revenue	422 899	551 224	(128 325)	(23.28%)
Provisions for current liabilities and other charges	478 425	290 009	188 416	64.97%
Current tax liability	105 376	25 391	79 985	315.01%
Retirement benefits and similar obligations	1 458	1 239	219	17.68%
Other financial liabilities	1 509	3 027	(1 518)	(50.15%)
TOTAL EQUITY AND LIABILITIES	7 349 333	6 442 939	906 394	14.07%

Equity and liabilities:

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

- an increase in the balance of current liabilities by PLN 587 655 thousand, mainly due to:
 - an increase in the balance of valuation of construction contracts by PLN 260 397 thousand, representing the difference between revenues invoiced to investors and revenues recognised in the profit and loss account,
 - an increase in the balance of trade and other payables by PLN 221 082 thousand, which was mainly due to the persistence of good weather conditions for construction work and related settlements with suppliers and was correlated with the increase in the scale of operations and the increase in sales revenues generated,
 - an increase in the balance of provisions for liabilities by PLN 188 416 thousand, resulting mainly from an increase in the balance of provisions for penalties and warranty repairs,
 - a decrease in the balance of deferred revenue by PLN 128 325 thousand, mainly due to the accounting for received prepayments for performance of contracts.
- an increase the balance in non-current liabilities by PLN 31 054 thousand, mainly due to:
 - an increase in the balance of provisions for non-current liabilities and other charges by PLN 27 212 thousand, mainly due to an increase in provisions for warranty repairs,
 - an increase in the balance of retentions for construction contracts by PLN 13 281 thousand.

Profit and Loss Account of Budimex SA

PROFIT AND LOSS ACCOUNT	01.01 - 31.12.2023	01.01 - 31.12.2022	Change	Change %
Net sales of finished goods and services, goods for resale and raw materials	8 469 668	7 507 937	961 731	12.81%
Cost of finished goods, services, goods for resale and raw materials sold	(7 529 508)	(6 789 565)	(739 943)	10.90%
Gross profit on sales	940 160	718 372	221 788	30.87%
Selling expenses	(13 379)	(13 396)	17	(0.13%)
Administrative expenses	(291 141)	(257 837)	(33 304)	12.92%
Other operating income	98 931	52 835	46 096	87.25%
Other operating expenses	(32 569)	(40 347)	7 778	(19.28%)
Operating profit	702 002	459 627	242 375	52.73%
Finance income	256 074	128 279	127 795	99.62%
Finance costs	(57 072)	(43 964)	(13 108)	29.82%
Gross profit	901 004	543 942	357 062	65.64%
Income tax	(151 435)	(84 403)	(67 032)	79.42%
Net profit for the period	749 569	459 539	290 030	63.11%

Within the twelve-month period of 2023, Budimex SA generated revenues from sales in the amount of PLN 8 469 668 thousand, while in 2022 they amounted to PLN 7 507 937, i.e. a 12.8 per cent increase.

In 2023, gross profit on sales stood at PLN 940 160 thousand, while in the previous year it reached PLN 718 372 thousand. The gross sales profitability ratio for 2023 was therefore 11.1 per cent and was higher than in 2022, when it reached 9.6 per cent.

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

Pursuant to the adopted accounting principles, the Company creates provision for contract losses if the budgeted costs exceed the total revenues under the agreement. In the subsequent periods, a part of the earlier created provision is reversed in proportion to the percentage of contract completion, after taking into account the total negative margin on the entire contract. As at 31 December 2022, the balance of the provision for contract losses amounted to PLN 791 275 thousand. In the twelve-month period ended 31 December 2023, the balance of the provision for contract losses decreased by PLN 33 039 thousand.

The selling expenses in 2023 decreased by PLN 17 thousand year-on-year, while the general administrative expenses grew by PLN 33 304 thousand. The share of the sum total of selling and administrative expenses in total sales revenue for the year under review was unchanged from 2022 at 3.6 per cent.

Other operating income in the twelve-month period of 2023 amounted to PLN 98 931 thousand and other operating expenses – to PLN 32 569 thousand. Detailed analytics of other operating income and expenses are presented in note 31 to the financial statements.

In the twelve-month period of 2023, the Company reported profit on financing activities of PLN 199 002 thousand. Detailed analytics of finance income and costs are presented in note 32 to the financial statements.

In 2023, the Company earned a gross profit of PLN 901 004 thousand. The comparable gross profit for 2022 amounted to PLN 543 942 thousand and was lower by 65.64 per cent than in the current year.

Income tax for the 12 months of 2023 amounted to PLN 151 435 thousand, including:

- current tax – PLN 271 091 thousand (including prior years' corrections of PLN -20 158 thousand),
- deferred tax – PLN (119 655) thousand.

In 2023, Budimex SA earned a net profit in the amount of PLN 749 569 thousand.

3.2 Statement of Cash Flows

3.2.1 Consolidated Statement of Cash Flows of the Budimex Group

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

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

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

The Budimex Group entered 2023 with cash in hand and cash at bank amounting to a total of PLN 3 249 369 thousand. For the purpose of the Statement of Cash Flows, this amount was reduced by the amount of restricted cash of PLN 27 959 thousand. Net cash flow for 2023 was positive and amounted to PLN 654 933 thousand. As at 31 December 2023, the Group's reported cash balance was PLN 3 900 290 thousand, of which restricted cash was PLN 22 396 thousand.

In 2023, the balance of cash from operating activities increased by PLN 1 312 035 thousand, mainly due to decreased financial involvement of the Group companies (and increased involvement of investors) in projects implemented.

Cash flow from investing activities came out to a negative balance of PLN 131 810 thousand, which was mainly the result of the acquisition of property, plant and equipment, as well as shares in related entities.

Cash flow from financing activities for 2023 showed a negative balance, which amounted to PLN 525 292 thousand and resulted mainly from the 2022 dividend payment and payment of lease liabilities and credit.

3.2.2 Statement of Cash Flows of Budimex SA

The balance of cash in bank accounts and in hand at the beginning of 2023 amounted to PLN 2 830 825 thousand. For the purposes of drafting the statement of cash flows, this amount was adjusted with the value of restricted cash (in the amount of PLN 9 010 thousand), comprising mainly cash accumulated in split payment accounts and in accounts of consortia in the portion attributable to other consortium members. In the twelve months of 2023, net cash flow was positive and amounted to PLN 648 690 thousand. As at 31 December 2023, the Company reported a cash balance of PLN 3 484 987 thousand, including restricted cash of PLN 12 930 thousand.

In 2023, the balance of cash from operating activities increased by PLN 1 176 541 thousand.

The Company's balance of cash from investing activities decreased by PLN 7 125 thousand, with the largest contribution coming from the acquisition of property, plant and equipment and the granting of loans to Group companies, including Budimex F Sp. z o.o., Mostostal Kraków SA and Fotowoltaika HIG XIV Sp. z o.o. while receiving dividends, including from FBSerwis SA, Budimex Budownictwo Sp. z o.o. and Mostostal Kraków SA.

Cash flow from financing activities for 2023 showed a negative balance of PLN 520 726 thousand. The expenses were connected with payment of the dividend made by the Company in the amount of PLN 459 286 thousand and repayment of lease liabilities.

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

3.3 Managing of finance

3.3.1 Managing of finance at the Budimex Group

The balance of cash and liquid deposits of the Budimex Group as at 31 December 2023 amounted to PLN 3 900 290 thousand and was PLN 650 921 thousand higher than as at 31 December 2022. The most important factors affecting this change in financial resources of the Budimex Group during 2023 include the following events:

- maintaining high profitability of construction activities,
- favourable changes in the components of net working capital in the construction segment, including an increase in the balance of inventories,
- a significant increase in finance income from interest on cash as a result of continued high interest rates,
- continued high profitability in the waste collection and management segment of the FBSerwis Group,
- dividend paid by Budimex SA in the amount of PLN 459 286 thousand, which took place in June 2023.

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

At the same time, the Budimex Group reported an external debt in respect of bank loans, borrowings and leases, which as at 31 December 2023 amounted to PLN 236 591 thousand, including lease liabilities recognised in accordance with IFRS 16, amounting to PLN 130 153 thousand. The amount of the Group's external debt on account of bank loans, borrowings and leases, without lease liabilities reported in accordance with IFRS 16, was PLN 106 438 thousand and was therefore PLN 12 779 thousand lower than as at 31 December 2022 (see table below). The Group's debt is mainly composed of:

- the debt of Budimex SA, Budimex Kolejnictwo SA, Mostostal Kraków SA and the FBSerwis Group companies under finance leases (concluded for the purpose of financing the purchase of property, plant and equipment),
- the debt of Magnolia Energy Sp. z o.o. on account of a credit facility for financing a RES project (wind farm) – debt without recourse to Budimex SA,
- debt of Budimex Parking Wrocław Sp. z o.o. on account of a loan for financing a concession project and a subordinated borrowing granted by a minority shareholder – debt without recourse to Budimex SA,
- debt of FBSerwis Kamieński Sp. z o.o. on account of a borrowing granted by the National Fund for Environmental Protection and Water Management to finance investments related to waste management.

During 2023, Budimex SA did not draw on credit lines to which it has access.

Persisting high interest rates in Poland in 2023 did not have a significant negative impact on the Budimex Group's financial performance through rising interest expenses due to:

- the Group's relatively low level of financial debt: PLN 106 438 thousand (table below),
- a fixed interest rate on the loan from the National Fund for Environmental Protection and Water Management
- transactions concluded to hedge interest rate risk in Budimex Parking Wrocław Sp. z o.o.

Liabilities due to bank loans and borrowings and other external sources of finance:	31.12.2023	31.12.2022	31.12.2021
- non-current	83 322	61 743	89 797
- non-current (lease liabilities – IFRS 16):	89 083	86 963	65 472
- current	23 116	31 916	40 752
- current (lease liabilities – IFRS 16):	41 070	44 519	43 025
Total	236 591	225 141	239 046

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

Ratio	31.12.2023	31.12.2022	31.12.2021
Equity to assets ratio:			
<i>(shareholders' equity attributable to the shareholders of the Parent Company) / (total assets)</i>	0.18	0.17	0.19
Equity to non-current assets ratio:			
<i>(shareholders' equity attributable to the shareholders of the Parent Company) / (total non-current assets)</i>	0.76	0.69	0.79

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

Ratio	31.12.2023	31.12.2022	31.12.2021
Debt ratio: <i>(total assets – shareholders' equity attributable to the shareholders of the Parent Company) / (total assets)</i>	0.82	0.83	0.81
Debt to equity ratio: <i>(total assets – shareholders' equity attributable to the shareholders of the Parent Company) / (shareholders' equity attributable to the shareholders of the Parent Company)</i>	4.50	4.87	4.20

At the end of 2023, compared to the end of 2022, the Group's financing structure ratios remained roughly unchanged. The liquidity ratios (current and quick ratios) at the end of 2023 increased slightly, despite the dividend paid by Budimex SA.

Ratio	31.12.2023	31.12.2022	31.12.2021
Current ratio <i>(current assets) / (current liabilities)</i>	1.12	1.10	1.16
Quick ratio <i>(current assets – inventory) / (current liabilities)</i>	1.01	0.95	1.06

Owing to the current very good financial standing of the Budimex Group, the cash resources held, access to credit limits at banks as well as the insignificant level of financial debt, there are no threats to the Group's ability to finance its business activities in 2024.

3.3.2 Managing of finance at Budimex SA

The balance of cash and liquid deposits of Budimex SA as at 31 December 2023 amounted to PLN 3 484 987 thousand and was PLN 654 162 thousand higher than as at 31 December 2022. The most important factors contributing to this change in financial resources of Budimex SA during 2023 include the following events:

- continued high profitability of Budimex SA's activities,
- favourable changes in the components of net working capital, including an increase in the balance of contract prepayments,
- a significant increase in finance income from interest on cash as a result of rising interest rates,
- dividend paid by Budimex SA in the amount of PLN 459 286 thousand, which took place in June 2023.

At the same time, the Company reported an external debt in respect of bank loans and borrowings and other external sources of finance, including lease liabilities, which as at 31 December 2023 amounted to PLN 103 860 thousand, including lease liabilities recognised in accordance with IFRS 16, amounting to PLN 88 757 thousand. The amount of Budimex SA's external debt on account of bank loans, borrowings and leases understood in accordance with IAS 17, i.e. without lease liabilities, reported in accordance with IFRS 16, was PLN 15 103 thousand and was therefore PLN 16 830 thousand lower than as at 31 December 2022 and PLN 41 672 thousand lower than as at 31 December 2021 (see table below). The amount of financial debt² of Budimex SA comprises only liabilities under lease agreements in respect of machines and equipment required to carry out road construction projects. As at the end of 2022, the Company had no debt under bonds issued.

Liabilities due to bank loans and borrowings and other external sources of finance:	31.12.2023	31.12.2022	31.12.2021
- non-current	4 706	13 919	32 631
- non-current (lease liabilities – IFRS 16):	57 847	60 355	38 647
- current	10 397	18 014	24 144
- current (lease liabilities – IFRS 16):	30 910	31 314	30 270
Total	103 860	123 602	125 692

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

Ratio	31.12.2023	31.12.2022	31.12.2021
Equity to assets ratio: <i>(shareholders' equity) / (total assets)</i>	0.16	0.14	0.17
Equity to non-current assets ratio: <i>(shareholders' equity) / (non-current assets)</i>	0.70	0.58	0.76
Debt ratio: <i>(total assets – shareholders' equity) / (total assets)</i>	0.84	0.86	0.83
Debt to equity ratio: <i>(total assets – shareholders' equity) / (shareholders' equity)</i>	5.13	6.07	4.71

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

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

At the end of 2023, the sustainability of the financing structure, as described above, improved as compared to 2022. The foregoing indicators were most significantly driven by two opposing factors: high profitability of the Company (high operating profitability and high net finance income – interest income and dividends received) resulting in an increase in equity and the dividend policy (annual payments close to the amount of net profits earned by the Company) which limits the rate of increase in equity. Liquidity ratios also improved in 2023 compared to 2022, reaching levels similar to those experienced at the end of 2021 (table below).

Ratio	31.12.2023	31.12.2022	31.12.2021
Current ratio (current assets) / (current liabilities)	1.07	1.05	1.13
Quick ratio (current assets – inventory) / (current liabilities)	0.97	0.90	1.03

The Company's situation with respect to liquidity and access to external sources of finance is currently very good and there are no risks to the financing of the Company's activities in 2024.

3.4 Contingent liabilities and contingent receivables of the Budimex Group

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

The table below shows loan guarantees and sureties issued by Budimex SA or its subsidiaries as at 31 December 2023:

Company granting the surety or guarantee	Entity to which sureties or guarantees were granted	Total amount of sureties or guarantees granted	Maximum period for which sureties or guarantees were granted	Financial terms on which sureties or guarantees were granted	The nature of the relationship existing between Budimex SA and the entity that received the surety or guarantee
Budimex SA	Budimex Budownictwo Sp. z o.o.	198 509*	2030-01-14	free of charge	Subsidiary
Budimex SA	Mostostal Kraków SA	194 389	2031-06-14	in exchange for payments	Subsidiary
Budimex SA	FBSerwis SA	12 641	2030-07-12	in exchange for payments	Subsidiary
Budimex SA	Budimex Bau GmbH	8 661	indefinite period	in exchange for payments	Subsidiary
Budimex SA	Budimex Kolejnictwo SA	7 586	2027-12-31	in exchange for payments	Subsidiary
Budimex SA	ARGE Oberkrämer	808	indefinite period	in exchange for payments	Subsidiary
Budimex SA	Budimex Mobility SA	44	2026-03-20	in exchange for payments	Subsidiary
Budimex SA	RailBX GmbH	43	2026-11-30	in exchange for payments	Subsidiary
TOTAL		422 681			

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

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

The Budimex Group did not publish any financial forecasts for 2023.

3.6 Utilisation of proceeds from issues of securities

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

4 SIGNIFICANT AGREEMENTS

4.1 Insurance agreements for the Budimex Group companies

In 2023, the Budimex Group (including Budimex SA) was a party to the following General Insurance Agreements:

- General Insurance Coverage for All Construction & Assembly Risks

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

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

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

This agreement was concluded for the period from 5 July 2022 to 4 July 2024.

- General Third Party Liability (TPL) Agreement

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

This agreement was concluded for the period from 5 July 2022 to 4 July 2024.

- General All-Risk Insurance Coverage for Construction Machines

This insurance agreement was concluded for a fixed period of time, i.e. from 27 November 2023 to 26 November 2024. Wiener TU SA is the insurer. Subject to insurance coverage are construction machines and equipment which are owned by Budimex SA and which are subject to lease agreements. The insurance coverage comprises all risks of physical loss or damage of assets, except for damage resulting from losses incurred during or in connection with the transport, loading, unloading, assembly or disassembly of the machine.

- Other significant insurance agreements

In 2023, an extension was signed to the agreement with Chubb concerning TPL insurance for Management and Supervisory Board Members of the Budimex Group companies. This extension of insurance coverage covers the period from 22 July 2023 to 21 July 2024. The insurance coverage covers Members of Management and Supervisory Boards and authorised commercial representatives of the Budimex Group companies and of their subsidiaries.

4.2 Cooperation agreements binding in 2023

Cooperation agreements concluded in 2023:

	Supplier	Subject of the Agreement	Annual value	Agreement date
1	Involt Sp. z o.o. Sp. komandytowa	railway overhead line equipment	35 201	2023-11-15
2	Confirme Sp. z o.o.	reinforced steel	14 659	2023-11-22
3	Fabryka Urządzeń Kolejowych Sp. z o.o.	support structures	10 766	2023-12-05
4	Petrolift Sp. z o.o.	construction equipment	9 942	2023-02-22
5	UNIMOT Bitumen Sp. z o.o.	road asphalts	7 913	2023-01-26
6	Lausitz Energie Bergbau AG	coal dust	7 158	2023-01-01
7	TOM 2 Sp. z o.o.	reinforcement elements	6 416	2023-04-24
8	KUCA Sp. z o.o.	support structures	5 968	2023-11-03
9	KENPOL Holding Sp z o.o.	general construction materials	5 873	2023-01-19
10	Grupa Amako Sp. z o.o.	welding and assembly services	3 521	2023-12-11

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

Cooperation agreements concluded before 2023 and effective in 2023:

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	Supplier	Subject of the Agreement	Annual value	Agreement date
1	ORLEN Asphalt Sp. z o.o.	road asphalts	64 547	2018-03-26 2016-01-19 2012-04-20
2	HTI BP Sp. z o.o. WARSZAWA sp.k	materials for water and sewerage networks and installations	45 876	2013-04-30
3	Lafarge Cement SA	ready-mixed concrete	40 338	2016-04-15
4	Moris Sp. z o.o.	metallurgical products	38 221	2019-03-06
5	ArcelorMittal Distribution Solutions z Poland Sp. z o.o.	concrete reinforcement, reinforced steel	37 688	2011-05-24 2013-06-25
6	IMPOSTAL Sp. z o.o.	steel pipes	31 821	2020-07-16
7	ViaCon Polska Sp. z o.o.	pipes and structural components for the construction of culverts	30 034	2006-02-14
8	Lafarge Kruszywa i Beton Sp. z o.o.	aggregates	24 823	2010-06-01
9	PKP CARGO SA	transport services	24 149	2019-01-15
10	Stalprodukt SA	road and bridge barriers	23 910	2010-03-01 2007-06-18

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

4.3 Related party transactions

Detailed information on transactions with related parties was presented in Note 39 to the consolidated financial statements of the Budimex Group and in Note 37 to the financial statements of Budimex SA.

4.4 Loans and borrowings

As at 31 December 2023, Budimex SA had the following loans, borrowings and lease agreements:

Lender	Title of liability	Date of signing of the loan/borrowing agreement	Amount available	Liability incl. interest	Interest rate	Maturity date
Credit Agricole Bank Polska SA	Revolving working capital loan	13.05.2015	70 000	-	WIBOR 1M or 3M + margin	31.05.2024
ING Bank Śląski SA	Overdraft facility	15.05.2015	60 000	-	WIBOR 1M + margin	31.05.2024
CaixaBank SA Branch in Poland	Overdraft facility	20.01.2021	100 000	-	WIBOR 1M + margin	31.05.2024
Bank PEKAO SA	Overdraft facility	14.05.2015	100 000	-	WIBOR 1M + margin	14.05.2024
Societe Generale SA Branch in Poland	Medium-term revolving loan	14.05.2015	70 000	-	WIBOR 1M + margin	31.05.2024
Millennium Leasing Sp. z o.o.	Lease	-	-	-	WIBOR 1M + margin	13.06.2023
Konica Minolta Business Solutions Sp. z o.o.	Lease	-	-	2 222	fixed, as provided in the agreement	31.12.2026
Pekao Leasing Sp. z o.o.	Lease	-	-	12 881	WIBOR 1M + margin	31.10.2025

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As at 31 December 2023, other companies of the Budimex Group were parties to the following loan agreements and lease agreements:

Mostostal Kraków SA						
Konica Minolta Business Solutions Sp. z o.o.	Lease	-	-	339	fixed, as provided in the agreement	31.12.2026
Millennium Leasing Sp. z o.o.	Lease	-	-	-	WIBOR 1M + margin	31.01.2023
PPUH Konstalex Sp. z o.o.						
ING Bank Śląski SA	Loan	14.12.2021	-	316	WIBOR 3M + margin	31.12.2024
Budimex Parking Wrocław Sp. z o.o.						
Bank PKO BP SA	Concession financing loan	30.04.2012	-	22 978	WIBOR 3M + margin	31.12.2031
Fundusz Inwestycji Samorządowych Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych	loan	29.10.2018	-	1 644	WIBOR 3M + margin	29.10.2038
Konica Minolta Business Solutions Sp. z o.o.	Lease	-	-	0	fixed, as provided in the agreement	31.12.2026
Lender	Title of liability	Date of signing of the loan/borrowing agreement	Amount available	Liability incl. interest	Interest rate	Maturity date
Budimex Kolejnictwo SA						
Pekao Leasing Sp. z o.o.	Lease	-	-	1 607	WIBOR 1M + margin	31.07.2025
Millennium Leasing Sp. z o.o.	Lease	-	-	3 674	WIBOR 1M + margin	31.12.2027
Konica Minolta Business Solutions Sp. z o.o.	Lease	-	-	10	fixed, as provided in the agreement	31.12.2026
Magnolia Energy Sp. z o.o.						
Bank Gospodarstwa Krajowego	Loan	26.01.2024	-	42 823	WIBOR 3M + margin	25.06.2038
FBSEWIS KAMIENSK Sp. z o. o.						
NFOŚIGW	Loan	-	-	6 907	fixed, as provided in the agreement	31.03.2026
FBSEWIS SA						
Societe Generale SA Branch in Poland	Overdraft facility	30.12.2021	20 000	-	WIBOR 1M + margin	31.12.2023
Bank PEKAO SA	Overdraft facility	31.03.2022	20 000	-	WIBOR 1M + margin	31.03.2024
Santander Leasing SA	Lease	-	-	1 979	WIBOR 1M + margin	30.06.2025
Millennium Leasing Sp. z o. o	Lease	-	-	676	WIBOR 1M + margin	28.02.2029

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Lender	Title of liability	Date of signing of the loan/borrowing agreement	Amount available	Liability incl. interest	Interest rate	Maturity date
FBSERWIS WROCŁAW Sp. z o. o.						
Santander Leasing SA	Lease	-	-	3 226	WIBOR 1M + margin	30.06.2025
mLeasing Sp. z o.o.	Lease	-	-	-	WIBOR 1M + margin	28.12.2025
Millennium Leasing Sp. z o.o.	Lease	-	-	932	WIBOR 1M + margin	28.02.2029
Pekao Leasing Sp. z o. o.	Lease	-	-	174	WIBOR 1M + margin	12.07.2025
FBSERWIS KARPATIA Sp. z o. o.						
Santander Leasing SA	Lease	-	-	1 596	WIBOR 1M + margin	31.10.2025
Europejski Fundusz Leasingowy SA	Lease	-	-	-	WIBOR 1M + margin	18.03.2023
mLeasing Sp. z o.o.	Lease	-	-	474	WIBOR 1M + margin	28.12.2025
Millennium Leasing Sp. z o.o.	Lease	-	-	1 980	WIBOR 1M + margin	30.04.2026

4.5 Major capital deposits and equity investments in 2023

In 2023, the Parent Company did not make any equity investments in entities not belonging to the Budimex Group. Budimex SA's subsidiary, Mostostal Kraków SA, acquired shares in Przedsiębiorstwo Produkcyjno-Usługowo-Handlowe Konstalex Sp. z o.o. on 15 May 2023. Detailed information on this transaction is provided in note 7.1 to the consolidated financial statements of the Budimex Group. For a description of equity investments within the Budimex Group, see Section 2.1.

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

Details concerning the loans granted are disclosed in note 14.1 to the consolidated statements of the Budimex Group and in note 14.2 to the financial statements of Budimex SA.

5 OTHER INFORMATION

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

As at 31 December 2023, Members of the Management Board of Budimex SA held the following number of shares:

- Artur Popko – 2 031 shares
- Marcin Węglowski – 2 830 shares
- Anna Karyś-Sosińska – 1 200 shares

As at 31 December 2023, the Members of the Supervisory Board of Budimex SA held the following number of shares:

- Marek Michałowski – 4 000 shares

5.2 Acquisition of own shares

In 2023, Budimex SA did not acquire its own shares.

5.3 System of control over employee share incentive schemes

The Company did not operate an employee share incentive scheme.

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

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

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5.5 Information about charity and sponsorship activities

Responsibility, integrity or sensitivity to others are values that the Budimex Group has been guided by for years. The development of the Budimex Group's CSR Strategy for 2021-2023 was aimed solely at structuring and accelerating activities in this area and did not require a change in the company's identity or organisational culture. In order to strengthen its potential to respond even better to the challenges of the future and become an even more reliable partner in business, the organisation's previous experience in the sphere of sustainability has been translated into an ESG Strategy for 2023-2026 with an outlook to 2050. The document announced on 30 June 2023, whose title and guiding principle is "We change the world for you! And we change ourselves", systematises the approach and plans of the Budimex Group with regard to the environment (E), social responsibility (S) and corporate governance (G). Strategic goals have been set in each of these areas, responding to key challenges for the construction sector and aligned with the global UN Sustainable Development Goals. They are intended to give momentum to the organisation's activities and make it easier to measure progress. Their fulfilment will support the Company's sustainability, including enabling it to achieve climate neutrality in the long term and lead positive change across the construction industry.

The implementation of the commitments set out in the strategy is the responsibility of the team leaders who had a hand in developing the document: Director of the ESG, Quality and Environmental Office (strategy oversight), Head of ESG (environmental area), Director of the Human Resources Management Division (social area) and Director of Legal Corporate Areas (corporate governance).

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

Budimex SA attaches great importance to cooperation with local communities, supporting them, and limiting the negative impact on residents of areas where the company conducts its activities.

The management of the Budimex Group's social impact area is defined in the "Principles of the Company's Responsibility Policy". This document includes e.g. provisions directly or indirectly related to social impact aspects, obliging the employees to ethical and responsible conduct in the scope of all activities, transparency and application of best corporate governance practices, as well as contributing to socio-economic development.

The second document functioning in this area is the "Policy of Cooperation with Local Communities". It indicates specific activities to be taken both before the commencement of construction works (conducting a dialogue with the local community on a given project in order to respond to concerns related to the performance of the investment) and during the term of the contract (building relations with the social environment of the project).

The construction of road and railway infrastructure in the long-term perspective is one of the conditions for the social and economic development of the country and, as a result, improves the quality of life of a given community. However, at the stage of the construction work performance, it involves specific nuisances, especially for residents of areas directly adjacent to a given project (e.g. increased traffic and noise resulting from the transport of construction materials or machine operation). Each potential aspect of the environmental impact of the project is already analysed at the stage of issuing administrative decisions and residents' representatives take part in public consultation. The Budimex Group conducts also non-obligatory, additional public consultation in the course of designing e.g. bypass routes or road closures. To this end, it also attends sessions of the municipal or city council during the project's running phase to respond to concerns and respond to comments made. Often, these include meetings in the offices of the mayors or heads of municipalities to discuss the changes that will take place in terms of the project to be carried out and thus jointly develop and adapt communication to the needs of the residents. In addition, Budimex SA provides residents with feedback channels through a contact form available on www.budimex.pl and corporate social media profiles. In this way, it reduces the risk of phenomena that may negatively affect neighbours of the implemented undertakings or lead to delays and downtimes in works resulting from protests of residents, blocking the works by them or extension of administrative procedures.

In 2023, Budimex SA's operations did not experience conflicts with local communities of a long-term nature. Several incidents were reported during this period, in each case corrective action was taken to address the identified inconvenience.

We are aware that we make a significant impact on the lives of local communities when we implement our projects. While our long-term goal is to improve their quality of life, we are not indifferent to the needs of the community here and now. Therefore, being open to dialogue, we meet with community representatives, listen to their needs and respond where possible to ensure the best possible neighbourly relations. We support local initiatives, facilitate communication around an ongoing project and stimulate charitable activities to build valuable relationships on a lasting basis. Wherever we are present, we also invite collaboration. To this end, we forge links with universities and technical colleges, offering a programme for students to prepare them for the profession. By sharing our experience, we believe that we are enabling the younger generations to have a better start into the future.

Concerned about future generations, for years now we have been successfully implementing our proprietary programme "Hello ICE. Budimex Dzieciom" [Hello ICE. Budimex for Children]. Through face-to-face meetings in educational facilities, we share our own experience with young people on how to keep themselves safe in public traffic and also provide first aid education. We would like to extend our activities for children and young people by increasing education also in the area of micromobility (safe on roller skates / scooters / skateboards).

One of Budimex SA's own social projects is the "Strefa Rodzica" [Parent Zone], which has been implemented continuously since 2012. The main objective of the programme is to create comfortable conditions for parents of sick children to be with their children in hospital, thus improving the well-being of children and facilitating their faster recovery. With places such as the Parent Zones, the little patients can get away from thinking about their illness for a while and spend time in a pleasant way. The programme also supports parents, who can accompany their children on a continuous basis during this difficult time. As part of the project, special zones for parents are designated in the children's wards. The "Parent Zone" proves the great commitment of our company's employees, who renovate hospital rooms as part of their voluntary work. In 2023, Budimex SA opened further Parent Zones in a hospital in Elk, where 23 volunteers worked for 400 hours and the Zone was used by around 2 500 beneficiaries.

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In 2023, Budimex SA launched its efforts to complete the "Home from the Heart 3" project. In the previous two editions of this project, we targeted our support at families with many children in difficult financial situations. In the third edition, the focus was on helping an elderly person – 70-year-old Mrs Teresa, whose entire house burned down as a result of a short circuit in the installation. Our beneficiary is a vulnerable person, following painful family experiences (death of her husband and son). Together with our campaign partners, we will be commissioning a functional, modular home in 2024 that will meet the needs of an elderly person and her pet dog Lusia.

Every year, the company launches an employee volunteering programme where employees can submit ideas and carry out volunteer projects. The "Grant na Wolontariat" [Grant for Volunteering] programme has been in place at Budimex SA since 2015. Volunteering can be based on employees' professional competences and skills, but also on the work and physical effort put into the project. A good example of such an activity is the renovation of a day care centre in an orphanage or single mother's home, or the organisation (renovation, equipment) of a playground for children from a social care centre, etc. In 2023, we launched a special edition of the Eco Grant for Volunteering and launched 3 editions of this grant. Budimex Group volunteers organised lessons on waste segregation in cooperation with nature teachers and class teachers of the Primary School and Kindergarten Complex in Kalinowice. In order to strengthen the relationship with the residents of Pelnik, equipment was purchased to support environmental activities in the Beaver Refuge Nature Reserve on the Pasłęka River. It will create the conditions for improved monitoring of the river with a focus on the spawning grounds of endangered fish species, together with the installation of photo beacons to protect the ecosystem from poachers, and the purchase of water temperature recorders to observe changes in the river. In addition, educational benches with educational boards were erected in the garden area around the Environmental Education Centre in Elk. Budimex SA also supported the Foundation for the Development of the University of Gdansk, responsible for the marine station and seal park in Hel. As part of the collaboration, the seal rehabilitation centre received an advanced biochemical analyser. The device will significantly reduce the waiting time for blood test results, which will greatly increase the chances of saving the animals being treated.

The Budimex Group is actively involved in sponsorship and charity activities. The document regulating this area of activities is the "Instruction for Approval of Sponsorship Projects, Patronages and Donations".

In 2023, Budimex SA continued to co-finance the "Odkrywcy Talentów" [Talent Explorers] scholarship programme, providing financial support to talented and successful groups of young people to enable them to participate in prestigious international and national scientific and technical contests. More information about the initiative is available at odkrywcydiamentow.com.pl.

The company also continued to help disadvantaged young people by donating to the Demos Foundation, which creates facilities for educational, therapeutic and sporting activities, as well as organises scholarship programmes and workshops for youth leaders. It has also supported the purchase of school equipment and the organisation of educational tournaments and pupils' summer holidays in regions struggling with poverty (Warmińsko-Mazurskie, Mazowieckie, Podlaskie and Łódzkie provinces), as well as the operation of volunteer fire brigades. Other areas of the company's engagement in 2023 include assistance to Polish Army soldiers who have been injured in military missions abroad and their families, the development of youth sport and the protection of the historic Powązki Cemetery.

5.6 Legal proceedings

The total value of legal proceedings pending in respect of liabilities and receivables as at 31 December 2023 was PLN 748 985 thousand. The excess of the value of proceedings relating to claims of the Group companies over proceedings against the Group companies amounted to PLN 171 379 thousand.

On the basis of the information held by Budimex SA, the total value of legal proceedings pending in respect of liabilities of Budimex SA and subsidiaries as at 31 December 2023 was PLN 288 803 thousand. The proceedings pending in respect of Budimex SA and subsidiaries relate to the operating activities of the Group companies.

The largest item in terms of the value of the dispute was the lawsuit against Budimex SA and Ferroviol Agroman SA in Madrid, members of the consortium related to implementation of the contract "Construction of the new premises for the Silesian Museum in Katowice" concluded on 7 June 2011, filed on 24 July 2017 by the claimant – the Silesian Museum in Katowice. The Claimant requests that the Defendants are either condemned in solidum to pay the amount of PLN 122 758 thousand plus statutory interest from the date the lawsuit was filed for improper performance of the obligation under the Contract, either alternatively the court adjudges the claim for decreasing the price by PLN 34 675 thousand as the reimbursement of part of the remuneration, which was wrongly paid in Claimant's opinion. Article 471 of the Civil Code was specified as the grounds for pursuing the main claim, and the provisions on statutory warranty were specified for the alternative claim.

In the opinion of the Management Board of Budimex SA the claims in the lawsuit are groundless. The irregularities, which in the Claimant's opinion constitute actual grounds of the claims, provided that these do exist, do not result from actions or omissions of the consortium. Moreover, proper performance of the building by the consortium was confirmed by the Claimant issuing the Work Acceptance Certificate and Implementation Certificate for the Silesian Museum building in Katowice. The Management Board assesses that the provisions for warranty repairs recognised beforehand fully cover the risks related to contract implementation. Budimex SA filed its response to the claim on 31 October 2017 and supplemented it in January 2018. The court successfully delivered a copy of the claim to Ferroviol Agroman SA on 21 September 2018. Ferroviol Agroman SA filed a reply to the statement of claim on 22 October 2018. The first hearing took place on 11 March 2019, during which the court ordered the parties to make an advance payment for expert fees in the case. The expert has not been appointed yet. The court suspended the ongoing proceedings by order of 22 December 2021, as requested by the parties. Then, by a decision of 29 June 2022, at the claimant's request, the court resumed the proceedings, suspended in December 2021, and by a decision of 2 August 2022, the court summoned parties to start mediations, at the same time appointing a mediator for the Arbitration Court at the General Attorney of the Treasury. On 26 August 2022 Budimex SA and Ferroviol Construcción SA agreed to mediation and the appointed mediator.

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Several mediation meetings were held in 2023, but these did not lead to a settlement between the Parties. The court extended the deadline for mediation until 30 April 2024.

Another legal proceedings with a material value relate to the claim filed on 5 March 2008 by Miejskie Wodociągi i Kanalizacja w Bydgoszczy Sp. z o.o. requesting that the amount of PLN 25 252 thousand be awarded jointly and severally against the consortium to which the Budimex SA and Budimex Dromex SA belonged. The claim relates to the replacement of contractor costs incurred by the investor when the consortium rescinded the contract. The share of the companies in the consortium was 90 per cent; therefore the value of the claim for which Budimex SA is presently liable is PLN 22 727 thousand. On 12 July 2017, the court of the first instance awarded against Budimex SA the amount of PLN 22 thousand (towards reimbursement of the costs of expert opinions commissioned by the claimant), and dismissed the claim in its entirety. An appeal against the judgment was filed both by the claimant (against the entire judgment) and the defendant (against a part of the judgment, i.e. the amount of PLN 22 thousand). Currently, the parties still await setting the date for the hearing before the court of the second instance. In the meantime, the court, in closed session, ordered the admission of expert evidence, including a calculation of the value of the improvement works and the value of the works remaining to be carried out. On the one hand, this accommodates the claimant's request in its appeal for such evidence, on the other hand, it suggests that the court will nevertheless aim to compare the scope of the Consortium's contract with that of the replacement works. As at the date of this report, this opinion has not yet been issued

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

The total value of legal proceedings pending in respect of claims of Budimex SA and its subsidiaries amounted to PLN 460 182 thousand as at 31 December 2023. The proceedings relate mainly to the recovery of overdue receivables from business partners and to additional claims in respect of the construction work performed. As at the date of this report, the final outcome of the proceedings is not known.

5.7 Significant achievements in the area of research and development

Innovative projects carried out by Budimex SA are described in section 3.3 of the Budimex Group's Report on non-financial information for 2023.

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

As at 31 December 2023, neither Budimex SA nor companies from the Budimex Group had any retirement and similar benefit obligations toward former members of management and supervisory boards.

6 CORPORATE GOVERNANCE

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

In 2023, the Company applied the Best Practices of WSE Listed Companies 2021 ("BPWLC 2021") introduced by Resolution No 13/1834/2021 of the Supervisory Board of the Warsaw Stock Exchange of 29 March 2021. The scope of the Company's application of BPWLC 2021 did not change in 2023. The Company did not apply nine principles in 2023, i.e.

- principles 1.3.1, 1.3.2, 1.4 and 1.4.1. due to ongoing work on the Company's strategy whose completion, according to the EBI report of 30 September 2022, was planned for the first half of 2023. In an EBI report dated 30 June 2023, the Company announced that the Management Board had adopted an ESG strategy for 2023-2026 and that the publication of the business strategy had been postponed until the end of 2023. In an EBI report dated 22 December 2023, the Company announced that the publication date of the business strategy had been postponed until the end of 2024.
- principles 2.1. and 2.2 concerning diversity policy – the Company has published on its website the Diversity Policy of the Budimex Group, followed by the Diversity Policy of the Management Board of Budimex SA adopted by the Company's Supervisory Board. The next steps were for the Management Board and the Supervisory Board to recommend to the Annual General Meeting the adoption of the Diversity Policy of the Supervisory Board of Budimex SA (the Policy was adopted on 19 May 2022). All the aforesaid documents do not contain a requirement for participation of the minority group of at least 30 per cent. Instead, they provide for the introduction of a minimum level of representation of each gender in the selection process of 30 per cent of all candidates if they are represented among the candidates and their competences are at least equal to those of the remaining candidates,
- principle 3.4 – concerning the remuneration of persons responsible for risk and compliance management and of the head of internal audit – the Company explained that according to principle 3.4. remuneration of the person in charge of the internal audit and employees of the Internal Audit Office as well as the person responsible for compliance depends on the performance of assigned tasks, and not on the short-term performance of the Company. Remuneration of risk management by combining these functions with other duties depend on the Company's short-term performance. As soon as these tasks are entrusted to persons dealing only with risk management, the principle will be applied by the Company.
- principle 3.7 – in accordance with this principle, Principles 3.4–3.6 apply also to members of the company's group which are material to its activity if they appoint persons to perform such tasks – in this respect, the Company explained that a company of significant importance to the operations of Budimex SA is FBSerwis S.A. The company has appointed a Compliance Coordinator who reports directly to the President of the Management Board of FBSerwis SA and organisationally to the Director of the Legal Department, a member of the Management Board of FBSerwis SA. The Coordinator's remuneration depends partly on the financial results of FBSerwis S.A. Regulations and a risk management structure have been implemented in the company, and a

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Management Board Representative for Systems and Risk Management – reporting directly to the President of the Management Board of FBSerwis SA, and organisationally to the Director of the Legal Division – a member of the Management Board of FBSerwis SA – has been appointed. The Representative's remuneration depends partly on the financial results of FBSerwis S.A. The company regularly analyses strategic and operational risks. In the field of internal audit, the company concluded an agreement under which it uses the support of Budimex SA in this regard.

- principle 4.1 – the Company explained that it does not apply this principle for the same reasons, and therefore it did not apply recommendation IV.R.2. point 2) and point 3) of DPSN 2016. The Company upholds the position presented so far in connection with the continued doubts as to the possibility of ensuring legally safe participation of shareholders in the General Meeting by means of electronic communication, in particular taking into account the number of shareholders who usually participate in the General Meeting of Budimex SA. Thus, in the opinion of the Company, there are still both technical and legal threats to the proper and efficient conduct of the e-general meeting.

Information on the scope of application of BPWLC 2021 and the text of BPWLC 2021 are published on the Company's website ("Corporate governance" tab).

6.2 Compliance policy

Since September 2017, Budimex SA has had in place a Compliance Policy, which was adopted by the Management Board of Budimex SA. Adoption of the Policy demonstrates the importance that the Company attaches to conducting its business in compliance with applicable laws, internal regulations and ethical standards. The Compliance Policy adopted aggregated the internal regulations in place at the Company, making them more formal in scope and nature. It was also important to draw the attention of both the Company's external environment and employees/associates to the importance of complying with the applicable laws and with ethical and moral principles in day-to-day business operations. The Compliance Policy contains a catalogue of prohibited activities, although this catalogue is not exhaustive, and indicates the main areas of the Company's business where there may be a risk of violation of the law. It also refers to internal legal acts in force at the Company and aimed at organising and formalising specific processes in order to mitigate the risks indicated above. The day-to-day supervision of the implementation of the Policy is entrusted to the Legal Director of the Compliance area, reporting directly to the Member of the Company's Management Board - Director of the Legal and Organisational Division. Attention had to be paid also to the fact that the Company introduced a uniform whistleblowing system based on 4 available compliance communication channels. The Company conducts regular training in the area of compliance to raise awareness of compliance among employees and to involve employees in building an ethical organisational culture, which employees recognise as their own value system (Integrity).

6.3 Diversity policy

Issues related to diversity have been unequivocally regulated in corporate documents which refer to all companies of the Budimex Group. These include the "Principles of the Company's Responsibility Policy" of the Ferrovia Group, the main shareholder of Budimex SA. They oblige all employees of the Group to, among others, respect fundamental human rights, promote equality, diversity and ensure a work-life balance. The second group-wide document is the "Principles for the Protection of Human Rights", concerning the avoidance of discrimination, the promotion of equal opportunities and the recognition of values in diversity in the workplace. The third document is the "Code of Ethics", which implements the objectives of the aforesaid policies and prevents discrimination in the field of employment.

The Budimex Group continues to observe the principle of additionally compensating the wage gap for people returning after long-term absences (so-called gender pay gap budget).

The Budimex Group implemented the "Diversity Policy", which refers to equal treatment due to gender, age, disability, health, nationality, political beliefs, form, scope and basis of employment, as well as committed to creating an atmosphere and organisational culture that ensures respect for all forms of diversity. The document deals also with recruitment, access to training courses and promotions, remuneration, combining professional duties with personal life, protection against mobbing and unfair dismissal. The Budimex Group breaks down barriers associated with the health of our employees by hiring people with disabilities. In order to manage the Policy efficiently, the so-called anti-discriminatory and anti-mobbing monitoring was introduced, as well as a system of educational tools, training and workshops. The results of implementing the Policy are reported to the Management Board on an annual basis.

The General Diversity Policy has been in place in the Budimex Group since September 2016. It was updated in June 2021. The policy sets the direction for effective diversity management within the Group. Being one of the biggest employers in Poland, the Budimex Group is guided by the principles of respect for all people, equal treatment, utilising employees' potential and counteracting all forms of discrimination, believing that it brings measurable benefits and contributes to the development and innovativeness of the organisation and creation of a friendly social environment.

The objectives of the Diversity Policy are as follows:

- active diversity management as part of our HR policy, creating an open and diverse working environment,
- combating all forms of discrimination,
- ensuring equal opportunities in access to education and promotion,
- ensuring fair and objective performance appraisals,
- ensuring equal opportunities in access to information on the Group's ethical standards,
- achieving pay equity as measured by the Gender Pay Gap indicator,

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- maintaining the level of women's representation in the total number of Budimex Group employees at an above average level for the construction sector,
- maintaining the level of women's representation in senior management and among managers and executives at a level at least equal to the level of women's representation in the total number of employees of the Budimex Group,
- promoting diversity and education in collaboration with our stakeholders.

The policy applies to all levels of employment in the Group. Given the importance of the impact that the Management Board has on the other employees by adhering to the diversity principles, a Diversity Policy for the Management Board was adopted in the Budimex Group on 21 September 2021. The purpose of the Policy is to ensure the principles of equal treatment and diversity at the highest management level of the Group. The Policy sets out a trajectory of efforts to meet best practice, including the Best Practices of WSE Listed Companies 2021 on diversity. In 2022, the Diversity Policy for the Supervisory Board was adopted by the General Meeting, indicating that a minimum of 30 per cent of each gender must be represented among the candidates for the Supervisory Board.

The Budimex Group is also a signatory to the "Diversity Charter" – an international initiative which constitutes a voluntary commitment of a given organisation to equal treatment of all employees, prevention of any discrimination in the workplace and taking measures to create conditions conducive to diversity. It expresses the readiness of an organisation to engage all its stakeholder groups in actions to protect and promote diversity.

The Budimex Group employs people of different nationalities, providing an opportunity for foreign-speaking people to pursue their professional ambitions. The Group's working environment facilitates the hiring and integration of employees.

Prevention of discrimination against women

The Budimex Group actively prevents gender discrimination. To this end, it regularly analyses the level of the GPGR, Gender Pay Gap Ratio (the so-called unadjusted pay gap), reflecting the pay gap between individuals within the organisation. It represents the ratio of the average salary of women to men in each job group and is calculated in accordance with the methodology established for the Ferrovia Group as a whole, based on total remuneration, including bonuses as well as fixed remuneration.

In 2023, the GPGR calculated based on total remuneration including bonuses reached -1.7 per cent, compared to -1.9 per cent in 2022. From the perspective of basic salary and fixed salary components, the wage gap did not occur in 2023 (it was exactly 0.02 per cent).

Structure of employees of the Budimex Group in 2023:

Age (in years)	Women	Men	Total
<30	540	901	1 441
30-50	1 033	3 350	4 383
> 50	108	1 405	1 513
Total employees	1 681	5 656	7 337

Age and gender structure of the Company's Management Board

	Women	Men	Total
Total Management Board, of which:	1	5	6
under 30 years of age	0	0	0
30-50 years of age	1	2	3
over 50 years of age	0	3	3
including foreign nationals	0	0	0

Age and gender structure of the Company's Supervisory Board

	Women	Men	Total
Supervisory Board	2	7	9
under 30 years of age	0	0	0
30-50 years of age	1	1	2
over 50 years of age	1	6	7
including foreign nationals	1	3	4

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

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

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

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

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

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

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

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

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

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

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

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

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

According to the information available to Budimex SA, the shareholding structure of the Company as at 31 December 2023 was as follows:

Shareholder	Type of shares	Number of shares	% share in the share capital	Number of votes	% share in the number of votes at the GSM
Ferrovial Construction International SE	ordinary	12 801 654	50.14%	12 801 654	50.14%
Allianz OFE	ordinary	2 551 331	9.99%	2 551 331	9.99%
Nationale-Nederlanden OFE	ordinary	2 371 487	9.29%	2 371 487	9.29%
Other shareholders	ordinary	7 805 626	30.58%	7 805 626	30.58%
Total		25 530 098	100.00%	25 530 098	100.00%

The above figures present the shareholding structure as at the last General Shareholders' Meeting (GMS) of 18 May 2023, taking into account the information contained in current report No. 39/2023 of 13 June 2023.

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6.6 Holders of all securities which confer special control rights

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

6.7 Restrictions on exercising voting rights

There are no restrictions concerning the exercise of voting rights.

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

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

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

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

The Management Board is not authorised to take a decision on share issue. The rights of the Management Board regarding the decision to redeem shares do not vary from those set forth in the Code of Commercial Companies.

During 2023, policies concerning the appointment or removal of members of managing bodies as well as the rights of members of these bodies, including the right to make a decision on the issuance or redemption of the Company shares, as provided for in the Articles of Association, did not change.

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

- granting approval for disposal of registered (inscribed) shares,
- determining the share issue price in the case of a share capital increase,
- cancelling or limiting the pre-emptive right to newly issued shares upon approval by the Supervisory Board,
- defining the method of determining the share issue price or issuing shares in exchange for non-monetary contribution upon approval by the Supervisory Board,
- making a decision on the purchase or disposal of property, perpetual usufruct or a share in property, machines and equipment, securities or other asset items where the unit price on acquisition or disposal does not exceed one fifth of the Company's share capital,
- taking a decision on the prepayment of year-end dividend upon approval by the Supervisory Board.

6.10 Implementing changes to the Articles of Association of Budimex SA

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

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

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

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

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

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

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

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

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

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

The shareholders may participate in the General Meeting of Shareholders and exercise their voting rights in person or through authorised representatives. The authorisation to participate in the General Meeting of Shareholders and to exercise voting rights should be granted in writing or in an electronic form. Granting authorisation in electronic form does not require the use of a qualified electronic signature.

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

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

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- conclusion by the Company of a loan, borrowing or suretyship agreement, or other similar agreement with a member of the Management or Supervisory Board, authorised commercial representative, liquidator, or concluding an agreement in favour of any of the said persons,
- determining the date on which the list of shareholders entitled to receive dividend for the year is prepared (dividend date).

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

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

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

a) Composition of the Management Board

As at 31 December 2023, the Management Board of Budimex SA was composed of the following persons:

- Artur Popko President of the Management Board, General Director
- Anna Karyś-Sosińska Board Member, Chief HR Officer,
- Jacek Daniewski Board Member, Chief Legal and Organisational Officer,
- Cezary Łysenko Board Member, Chief Operating Officer Infrastructure Construction,
- Maciej Olek Board Member, Chief Operating Officer Railway, Power, Industrial Construction
- Marcin Węglowski Board Member, Chief Financial Officer.

During 2023, composition of the Management Board changed as follows:

- on 14 December 2022, the Supervisory Board appointed the following persons to the Management Board of Budimex SA with effect from 1 January 2023: Anna Karyś-Sosińska, Cezary Łysenko, Maciej Olek,
- on 6 February 2023, the Supervisory Board suspended Mr Artur Pielech as a member of the Management Board of Budimex SA,
- on 30 March 2023, the Supervisory Board dismissed Mr Artur Pielech from the Management Board of the Company.

As of 30 October 2023, Mr Piotr Świecki resigned from the position of commercial proxy of Budimex SA. This was the only change to the proxies granted by the Management Board in 2023.

b) Composition of the Supervisory Board and its Committees

As at 31 December 2023, the Supervisory Board of Budimex SA was composed of the following persons:

- Marek Michałowski Chairperson of the Supervisory Board
- Juan Ignacio Gaston Najarro Deputy Chairperson of the Supervisory Board
- Igor Adam Chalupiec Supervisory Board secretary
- Danuta Dąbrowska Supervisory Board Member
- Silvia Rodriguez Hueso Supervisory Board Member
- Janusz Dedo Supervisory Board Member
- Ignacio Aitor Garcia Bilbao Supervisory Board Member
- Artur Kucharski Supervisory Board Member
- Mario Manuel Menendez Montoya Supervisory Board Member

In 2023, the composition of the Supervisory Board changed as follows:

- on 30 March 2023, the Supervisory Board co-opted Ms Silvia Rodriguez Hueso with effect from 1 April 2023,
- Mr Dariusz Blocher resigned as a member of the Supervisory Board with effect from 27 April 2023.

As at 31 December 2023, the Audit Committee was composed of the following persons:

- Danuta Dąbrowska – Chairperson,
- Janusz Dedo – Member,
- Ignacio Aitor Garcia Bilbao – Member.

There were no changes in the composition of the Audit Committee in 2023.

As regards the independence of an Audit Committee member, the Company applied the following provisions in 2023: Article 129 par. 3 of the Act on Statutory Auditors, Audit Firms and Public Oversight of 11 May 2017 and criteria of independence of Board members, within the meaning of the Best Practices of WSE Listed Companies 2021.

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

As at 31 December 2023, the Investment Committee was composed of the following persons:

- Janusz Dedo – Chairperson,
- Ignacio Aitor Garcia Bilbao – Member.

The composition of the Investment Committee changed as of 27 April 2023 following the resignation of Mr Dariusz Blocher from the Supervisory Board, which also resulted in the termination of his position as a member of the Committee.

As at 31 December 2023, the Remuneration Committee was composed of the following persons:

- Marek Michałowski – Chairperson,
- Silvia Rodriguez Hueso – member,
- Igor Chalupiec – Member,

As of 1 April 2023, Ms Silvia Rodriguez Hueso started to serve as a member of the Committee. As of 27 April 2023, following the resignation of Mr Dariusz Blocher from the Supervisory Board, he also ceased to be a member of the Remuneration Committee.

c) Operation of the Management Board

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

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

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

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

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

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

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

d) Operation of the Supervisory Board

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

The Supervisory Board takes decisions provided at least half of Board Members are present at the meeting and all its members were invited to the meeting. The Supervisory Board meetings may also be attended by means of direct remote communication. The Supervisory Board adopts resolutions with an absolute majority of votes. In the case of equal number of votes, the casting vote is that of the Chairperson of the Supervisory Board. It is allowed that resolutions of the Supervisory Board are taken in writing or using means of direct communication. Resolutions of the Supervisory Board are valid and effective if all Board members were informed about the content of the draft resolution and at least half of the Board members participated in passing the resolution.

Supervisory Board members may participate in taking resolutions by voting in writing by proxy i.e. through another member of the Supervisory Board, in all matters listed on the agenda of the Supervisory Board meeting, except for matters that were added to the agenda during the course of the Supervisory Board's Meeting.

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

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

- assessment of the directors' report on the company's activities and evaluation of the financial statements for the previous year,
- evaluation of profit appropriation or loss absorption proposals made by the Management Board,
- recommending to the General Meeting of Shareholders the acknowledgement of the fulfilment of duties by members of the Management Board,

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

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

e) Tasks of the Audit Committee

The role of the Audit Committee is to:

- monitor the process of preparation of the financial statements of the Company and the consolidated financial statements for the previous year, perform detailed reviews of the results of audits performed by a statutory auditor at each audit stage; monitor the process of preparation of the Directors' Report, including the report on non-financial information;
- monitor the effectiveness of the internal control systems, risk management systems and internal audit, also in the area of financial reporting;
- monitor the performance of audit activities, in particular performance by an audit firm of an audit, while taking into consideration any and all motions and findings of the Polish Audit Supervision Agency arising from the control activities carried out within the audit firm;
- control and monitor the independence of the statutory auditor and of the audit firm, in particular when the services other than audit and review of financial statements are provided to the Company by the audit firm;
- inform the Supervisory Board about the results of the audit and explain the manner in which the audit contributed to reliability of financial reporting at the Company and the role of the Audit Committee in the audit process;
- assess the independence of the statutory auditor and grant consent to provision by the statutory auditor of permitted services other than the audit in the Company;
- develop a policy for selecting the audit firm to conduct the audit;
- develop a policy governing provision by the audit firm, entities affiliated with that audit firm and by any member of the audit firm's network of permitted services other than audit;
- define the procedure for selection of the audit firm by the Company;
- present to the Supervisory Board a recommendation referred to in Article 16 par. 2 of Regulation No. 537/2014 (a recommendation for the appointment of statutory auditors or audit firms) in compliance with the policies referred to above;
- submit recommendations designed to ensure integrity of the financial reporting process at the Company;
- forward to the Supervisory Board conclusions and recommendations relating to the audit and assessment of the financial statements of the Company and of the consolidated financial statements for the previous year;

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- forward to the Supervisory Board conclusions and recommendations concerning acknowledgement of the fulfilment of duties by the Chief Financial Officer;
- perform other tasks commissioned by the Supervisory Board depending on the current situation of the Company;
- submit a report on the Committee's activities to the Supervisory Board on a semi-annual basis, by the date of approval of annual financial statements and after publication of semi-annual financial statements.
- give an opinion on changes to the Internal Tax Oversight Framework model proposed by the Management Board and changes to Budimex S.A.'s Tax Policy (Tax Strategy) and Tax Governance;
- advise the Supervisory Board on the selection, re-election or dismissal of the Company's independent auditor of the tax function, including the preparation of a list of candidates and the presentation of a recommendation to the Supervisory Board;
- prepare a report for the Supervisory Board on the activities and development of cooperation with the Company's independent auditor of the tax function, at least once every three years and in the event of termination of the agreement with the independent auditor.

The statutory criterion of independence during 2023 was met by the following members of the Audit Committee: Danuta Dąbrowska and Janusz Dedo.

In 2023, the member of the Audit Committee who has the most extensive experience, knowledge and skills in the field of accounting and management was: Danuta Dąbrowska, member of the Association of Chartered Certified Accountants (ACCA), member of supervisory boards of WSE-listed companies.

Ignacio Aitor Garcia Bilbao – Chief Financial Officer of Ferrovial Construcción SA, the main company in the Ferrovial Group's construction segment – was the Audit Committee member with the greatest experience, knowledge and skills in the broadly understood construction industry.

The Audit Committee held 7 meetings in 2023.

Key elements of the audit firm selection policy

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

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

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

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

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

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

Details regarding the contract concluded with the audit firm and the amount of its remuneration for the services provided were disclosed in the notes to the financial statements of Budimex SA and the consolidated financial statements of the Budimex Group, respectively.

f) Tasks of the Investment Committee

The role of the Investment Committee is to provide opinions or approve decisions material for the Company from the point of view of the value of operations relating to: making investments or de-investments in non-financial assets, company incorporation or dissolution, making investments or de-investments or issuing financial assets, the Budimex Group company mergers, divisions or

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transformations, carrying out financial operations, establishing special purpose vehicles (SPVs) to perform works or to render services based on terms and conditions other than those prevailing in the consortium agreements concluded by Budimex Group, preliminary agreements and non-binding initial offers.

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

g) Tasks of the Remuneration Committee

The tasks of the Remuneration Committee comprise:

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

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

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

The purpose of the policy is to set the general guidelines and framework for the remuneration of members of the Company's Management Board and Supervisory Board. The implementation of the purpose and objectives of the Policy is oriented towards incentivising the authorities of the Budimex Group to achieve the best possible performance, in correlation with its strategic objectives in a responsible manner and in line with the values of the Budimex Group.

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

The policy regulates, among other things:

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

The Supervisory Board is responsible for overseeing the policy and, at least annually, based on, among other things, salary reports and observation of market trends, reviews the remuneration policy and assesses its impact on the management of the organisation. In order to ensure the highest possible quality of the process, the Board is assisted in these reviews by an external audit firm.

Supervisory Board Members

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

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

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- President of the Remuneration Committee of the Supervisory Board – twice the amount of the average monthly remuneration in the enterprise sector without out of profit payments, calculated using the 1.3 ratio,
- Deputy Chairperson of the Supervisory Board – twice the amount of the average monthly remuneration in the enterprise sector without out of profit payments, calculated using the 1.1 ratio,
- Secretary of the Supervisory Board – twice the amount of the average monthly remuneration in the enterprise sector without out of profit payments, calculated using the 1.2 ratio,
- Supervisory Board Member – twice the amount of the average monthly remuneration in the enterprise sector without out of profit payments, calculated using the 1.1 ratio.

Management Board Members

The remuneration of the President and members of the Management Board is determined by the Supervisory Board, taking into account the recommendations made by the Remuneration Committee. The overall remuneration package includes fixed remuneration, variable remuneration in the form of bonuses and long-term incentive schemes, and fringe benefits. In addition, the Supervisory Board performs all labour-law based activities in relations between Budimex SA and members of the Management Board.

Members of the Management Board of Budimex SA ("Company"), in connection with the work performed and position occupied on the Management Board, are employed at either Budimex SA or at subsidiary companies where they receive remuneration based on an employment contract concluded for a fixed term of office, with a termination notice period resulting from the Labour Code provisions. In addition, the employment contracts provide for severance pay in the amount of 6-12 monthly salaries, depending on the position, in the case of removal or non-appointment for the next term of office of the Management Board for reasons due to the Company.

Where the contract is terminated due to an employee's resignation or his/her wilful misconduct to the detriment of the Company, severance pay is not paid and only the termination notice period resulting from the applicable Labour Code provisions remains in effect.

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

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

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

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

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

Key managers

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

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

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

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Group in three consecutive years and on the eligible persons' remaining employed by the Ferrovia Group at the date of awarding the shares,

- in addition, for key employees with above-average business performance, the Company has introduced retention contracts.

Non-financial components of remuneration

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

Significant changes to the remuneration policy

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

Assessment of the remuneration policy

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

7 REPORT ON NON-FINANCIAL INFORMATION

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

8 REPRESENTATION BY THE MANAGEMENT BOARD

To the best of our knowledge, the consolidated financial statements of the Budimex Group and financial statements of Budimex SA for the twelve-month period ended 31 December 2023 and the comparative data have been prepared in compliance with the applicable accounting standards and give a clear, true and fair view of the assets, financial conditions and financial performance of the Budimex Group and Budimex SA. The Directors' Report gives a true view of the development, achievements and position of the Budimex Group and Budimex SA; it also includes a description of key risks and threats.

Pursuant to the representation by the Supervisory Board of Budimex SA, we hereby inform that the audit firm carrying out the audit of the consolidated financial statements of the Budimex Group and the financial statements of Budimex SA for the 12-month period ended 31 December 2023 – Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. – has been selected in accordance with the regulations, including those concerning the selection and procedure for the selection of the audit firm, and that:

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

Warsaw, 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	

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Cezary Łysenko Member of the Management Board	
Maciej Olek Member of the Management Board	
Marcin Węglowski Member of the Management Board	