



THE BUDIMEX GROUP

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for 1 half of 2023

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

The BUDIMEX Group

The condensed consolidated financial statements for I half of 2023
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(all amounts are expressed in PLN thousand)

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Consolidated statement of financial position

ASSETS	30 June 2023 <i>not audited</i>	31 December 2022 <i>audited</i>
Non-current (long-term) assets		
Property, plant and equipment	660 208	640 734
Intangible assets	135 950	145 094
Goodwill of subordinated entities	187 020	178 198
Investments in equity accounted entities	2 611	2 405
Investments in equity instruments	3 989	7 545
Retentions for construction contracts	63 655	83 393
Trade and other receivables	24 173	24 441
Receivables from service concession agreement	46 390	46 511
Other financial assets	21 271	4 777
Deferred tax assets	662 593	685 036
Total non-current (long-term) assets	1 807 860	1 818 134
Current (short-term) assets		
Inventories	633 300	743 778
Trade and other receivables	1 088 124	952 515
Retentions for construction contracts	92 274	83 120
Valuation of construction contracts	802 488	532 484
Current tax assets	25 690	1 957
Other financial assets	17 268	5 851
Cash and cash equivalents	2 833 210	3 249 369
Total current (short-term) assets	5 492 354	5 569 074
TOTAL ASSETS	7 300 214	7 387 208

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Consolidated statement of financial position (cont.)

EQUITY AND LIABILITIES	30 June 2023 <i>not audited</i>	31 December 2022 <i>audited</i>
Equity		
Issued capital	145 848	145 848
Share premium	80 199	80 199
Other reserves	56 413	56 413
Cumulative translation differences	4 094	7 092
Retained earnings	784 217	968 832
Shareholders' equity attributable to the shareholders of the Parent	1 070 771	1 258 384
Equity attributable to non-controlling interests	46 544	41 071
Total equity	1 117 315	1 299 455
Liabilities		
Non-current (long-term) liabilities		
Loans, borrowings and other external sources of finance	135 729	148 706
Retentions for construction contracts	226 878	229 963
Provisions for long-term liabilities and other charges	651 240	626 314
Retirement benefits and similar obligations	10 293	10 070
Other financial liabilities	12 824	12 807
Deferred tax liabilities	1 102	1 149
Total non-current (long-term) liabilities	1 038 066	1 029 009
Current (short-term) liabilities		
Loans, borrowings and other external sources of finance	71 918	76 435
Trade and other payables	1 731 095	1 516 956
Retentions for construction contracts	216 832	218 039
Provisions for losses on construction contracts	908 471	803 263
Valuation of construction contracts	1 258 710	1 493 517
Deferred income	607 708	578 658
Provisions for short-term liabilities and other charges	341 843	337 818
Current tax liability	3 284	29 245
Retirement benefits and similar obligations	2 102	1 578
Other financial liabilities	2 870	3 235
Total current (short-term) liabilities	5 144 833	5 058 744
Total liabilities	6 182 899	6 087 753
TOTAL EQUITY AND LIABILITIES	7 300 214	7 387 208

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Consolidated income statement

	Note	6-month period ended 30 June		3-month period ended 30 June	
		2023	2022	2023	2022
		<i>not audited</i>		<i>not audited</i>	
Continuing operations					
Net sales of finished goods, goods for resale, raw materials and services	4, 9	4 317 944	3 998 229	2 378 517	2 399 243
Cost of finished goods, goods for resale, raw materials and services sold		(3 916 551)	(3 602 241)	(2 151 318)	(2 135 326)
Gross profit on sales		401 393	395 988	227 199	263 917
Selling expenses	4	(6 273)	(6 335)	(3 297)	(3 208)
Administrative expenses	4	(165 070)	(145 588)	(87 954)	(78 435)
Other operating income	5	68 784	21 882	47 056	10 132
Other operating expenses	5	(26 199)	(31 247)	(12 697)	(15 149)
Operating profit		272 635	234 700	170 307	177 257
Finance income	6	112 283	48 579	56 531	33 108
Finance costs	6	(28 451)	(21 239)	(13 427)	(10 907)
Share in net profits of equity accounted subordinates		207	44	193	36
Gross profit		356 674	262 084	213 604	199 494
Income tax	7	(75 893)	(53 434)	(42 758)	(50 300)
Net profit from continuing operations		280 781	208 650	170 846	149 194
Net profit for the period		280 781	208 650	170 846	149 194
<i>of which:</i>					
Attributable to the shareholders of the Parent		274 671	201 238	168 373	144 863
Attributable to non-controlling interests		6 110	7 412	2 473	4 331
<i>Basic and diluted earnings (loss) per share attributable to the shareholders of the Parent (in PLN):</i>		10.76	7.88	6.60	5.67

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Consolidated statement of comprehensive income

	6-month period ended 30 June		3-month period ended 30 June	
	2023	2022	2023	2022
	<i>not audited</i>		<i>not audited</i>	
Net profit for the period	280 781	208 650	170 846	149 194
Other comprehensive income which:				
<i>Items to be reclassified to profit or loss upon satisfaction of certain conditions:</i>				
Cumulative translation differences	(2 998)	649	(2 834)	222
Income tax related to components of other comprehensive income	-	-	-	-
<i>Items not to be subsequently reclassified to profit or loss:</i>				
Actuarial gains/(losses)	-	-	-	-
Income tax related to components of other comprehensive income	-	-	-	-
Other comprehensive income	(2 998)	649	(2 834)	222
Total comprehensive income for the period, of which	277 783	209 299	168 012	149 416
<i>of which:</i>				
Attributable to the shareholders of the Parent	271 673	201 887	165 539	145 085
<i>Attributable to non-controlling interests</i>	<i>6 110</i>	<i>7 412</i>	<i>2 473</i>	<i>4 331</i>

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Consolidated statement of changes in equity

	Issued capital	Share premium	Other reserves	Cumulative translation differences	Retained earnings	Equity attributable to the shareholders of the Parent, total	Non-controlling interests	Total equity
Balance as at 1 January 2023 <i>audited</i>	145 848	80 199	56 413	7 092	968 832	1 258 384	41 071	1 299 455
Profit for the period	-	-	-	-	274 671	274 671	6 110	280 781
Other comprehensive income	-	-	-	(2 998)	-	(2 998)	-	(2 998)
Total comprehensive income	-	-	-	(2 998)	274 671	271 673	6 110	277 783
Profit distribution - dividend	-	-	-	-	(459 286)	(459 286)	-	(459 286)
Payment of dividend to non-controlling shareholders	-	-	-	-	-	-	(637)	(637)
Balance as at 30 June 2023 <i>not audited</i>	145 848	80 199	56 413	4 094	784 217	1 070 771	46 544	1 117 315

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Consolidated statement of changes in equity (cont.)

	Issued capital	Share premium	Other reserves	Cumulative translation differences	Retained earnings	Equity attributable to the shareholders of the Parent, total	Non-controlling interests	Total equity
Balance as at 1 January 2022 <i>audited</i>	145 848	80 199	53 324	6 289	1 033 580	1 319 240	41 767	1 361 007
Profit for the period	-	-	-	-	201 238	201 238	7 412	208 650
Other comprehensive income	-	-	-	649	-	649	-	649
Total comprehensive income	-	-	-	649	201 238	201 887	7 412	209 299
Profit distribution - dividend	-	-	-	-	(599 191)	(599 191)	-	(599 191)
Payment of dividend to non-controlling shareholders	-	-	-	-	-	-	(13 157)	(13 157)
Balance as at 30 June 2022 <i>not audited</i>	145 848	80 199	53 324	6 938	635 627	921 936	36 022	957 958
Profit for the period	-	-	-	-	333 205	333 205	6 274	339 479
Other comprehensive income	-	-	3 089	154	-	3 243	-	3 243
Total comprehensive income	-	-	3 089	154	333 205	336 448	6 274	342 722
Payment of dividend to non-controlling shareholders	-	-	-	-	-	-	(1 225)	(1 225)
Balance as at 31 December 2022 <i>audited</i>	145 848	80 199	56 413	7 092	968 832	1 258 384	41 071	1 299 455

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Consolidated statement of cash flows

	6-month period ended 30 June	
	2023	2022
	<i>not audited</i>	
CASH FLOW FROM OPERATING ACTIVITIES		
Gross profit	356 674	262 084
Adjustments for:		
Depreciation/ amortization	77 450	73 763
Share in net (profits) of equity accounted companies	(207)	(44)
Foreign exchange (profit)/ losses	2 956	(45)
Interest and shares in profits (dividends)	5 484	3 499
(Profit) on investing activities	(5 317)	(2 477)
Change in valuation of derivative financial instruments	(27 475)	(2 463)
Change in provisions and liabilities arising from retirement benefits and similar obligations	28 108	(4 543)
Other adjustments	(2 601)	1 446
Operating profit before changes in working capital	435 072	331 220
Change in receivables and retentions for construction contracts	(114 246)	51 489
Change in inventories	114 594	(222 433)
Change in retentions for construction contracts and in liabilities, except for loans and borrowings	185 527	261 098
Change in deferred income	28 847	144 340
Change in valuation of construction contracts and in provision for losses	(387 614)	(266 754)
Change in cash and cash equivalents of restricted use	7 059	(15 416)
Cash flow from operating activities	269 239	283 544
Income tax paid	(103 253)	(143 213)
NET CASH FROM OPERATING ACTIVITIES	165 986	140 331

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Consolidated statement of cash flows (continued)

	6-month period ended 30 June	
	2023	2022
	<i>not audited</i>	
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of intangible assets and property, plant and equipment	8 142	2 151
Purchase of intangible assets and property, plant and equipment	(62 092)	(53 209)
Purchase of subsidiaries	(4 989)	(25 336)
Increase in share capital in non-consolidated entities	(4 080)	(80)
Loans granted	(2 990)	(868)
Deferred payment for shares in subsidiaries	-	(17 700)
Proceeds from the liquidation of a related party	3 118	-
NET CASH USED IN INVESTING ACTIVITIES	(62 891)	(95 042)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of loans and borrowings	(2 436)	(6 891)
Payment of dividend by Budimex SA	(459 286)	(599 191)
Dividends paid to non-controlling shareholders	(245)	(13 157)
Payment of lease liabilities	(40 450)	(33 949)
Interest paid	(5 184)	(3 863)
Other finance inflows / (expenditure)	336	(14)
NET CASH USED IN FINANCING ACTIVITIES	(507 265)	(657 065)
TOTAL NET CASH FLOW		
	(404 170)	(611 776)
Foreign exchange differences on cash and cash equivalents, net	(4 930)	442
CASH AND CASH EQUIVALENTS - OPENING BALANCE (note 3.2)	3 221 410	2 684 885
CASH AND CASH EQUIVALENTS - CLOSING BALANCE (note 3.2)	2 812 310	2 073 551

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1. Organization of the Budimex Group and changes in the Group structure

1.1. The Parent Company

The parent company of the Budimex Group is Budimex SA (the „Parent Company”), which main area of business is building, rendering of management and advisory services for the Budimex Group companies.

The main areas of the business activities of the Group are widely understood construction-assembly services realized in the system of general contracting at home and abroad, services and production. Budimex SA serves in the Group as an advisory, management and financial center. Realization of these three functions is to facilitate:

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

1.2. Entities subject to consolidation

As at 30 June 2023, 31 December 2022 and 30 June 2022 the following entities were subject to consolidation:

Company name	Registered office	% in the share capital as at		
		30 June 2023	31 December 2022	30 June 2022
Parent company:				
Budimex SA	Warsaw / Poland			
Subsidiaries:				
Mostostal Kraków SA	Cracow / Poland	100.00%	100.00%	100.00%
Mostostal Kraków Energetyka Sp. z o.o.	Cracow / Polska	100.00%	100.00%	100.00%
Budimex Bau GmbH	Berlin/ Germany	100.00%	100.00%	100.00%
Budimex Budownictwo Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
Budimex Kolejnictwo SA	Warsaw / Poland	100.00%	100.00%	100.00%
FBSerwis SA	Warsaw / Poland	100.00%	100.00%	100.00%
FBSerwis A Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
FBSerwis B Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
FBSerwis Karpatia Sp. z o.o.	Tarnów / Poland	100.00%	100.00%	100.00%
FBSerwis Wrocław Sp. z o.o.	Bielany Wrocławskie / Poland	100.00%	100.00%	100.00%
FBSerwis Dolny Śląsk Sp. z o.o.	Ścinawka Dolna / Poland	100.00%	100.00%	100.00%
FBSerwis Odbiór Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
FBSerwis Paliwa Alternatywne Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
JZE Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
Magnolia Energy Sp. z o.o	Warsaw / Poland	100.00%	100.00%	100.00%
Budimex Most Wschodni SA	Warsaw / Poland	100.00%	100.00%	100.00%
Circular Construction SA	Warsaw / Poland	100.00%	100.00%	100.00%
Budimex Mobility SA (Budimex PPP SA) ¹	Warsaw / Poland	100.00%	100.00%	100.00%
Budimex Slovakia s.r.o. ²	Bratislava/ Slovakia	100.00%	100.00%	100.00%
Budimex F Sp. z o.o. ³	Warsaw / Poland	100.00%	100.00%	100.00%
Zakład Przetwarzania Odpadów Zawisty Sp. z o.o	Ostrołęka / Poland	100.00%	100.00%	100.00%
Fotowoltaika HIG XIV Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	-
RailBX GmbH	Berlin/ Germany	100.00%	100.00%	-
PPUH Konstalex Sp. z o.o. ⁴	Radomsko / Poland	100.00%	-	-
FBSerwis Kamieński Sp. z o.o.	Kamieński / Poland	80.00%	80.00%	80.00%
Budimex Parking Wrocław Sp. z o.o.	Warsaw / Poland	51.00%	51.00%	51.00%

¹) On 6 February the company Budimex PPP SA changed name to Budimex Mobility SA.

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- 2) The company was included in the consolidation scope as of December 2022 when it started to carry out operating activities.
3) The company was included in the consolidation scope as of February 2023 when it started to carry out operating activities.
4) The company was included in the consolidation scope as of May 2023. Details in note 1.3.

As at 30 June 2023, 31 December 2022 and 30 June 2022 stand-alone data of Budimex SA and other Group companies, which are partners in consortiums (treated as joint operations according to IFRS 11), included their share in assets, liabilities, revenue and expenses of the following joint operations:

Joint operation name	Share in the issued capital and in the number of votes (%)		
	30 June 2023	31 December 2022	30 June 2022
Budimex SA Cadagua SA III s.c.	99.90%	99.90%	99.90%
Budimex SA Cadagua SA IV s.c.	99.90%	99.90%	99.90%
Budimex SA Cadagua SA V s.c.	99.90%	99.90%	99.90%
Budimex SA Sygnity SA Sp.j.	67.00%	67.00%	67.00%
Budimex SA Tecnicas Reunidas SA Turów s.c.	50.00%	50.00%	50.00%
ARGE Brücke Oderberg	100.00%	-	-
ARGE Brücke Wittstock	100.00%	-	-
ARGE Oberkrämmer ¹	100.00%	-	-
Budimex SA Ferrovial Construcción SA Sp.j. ²	-	50.00%	50.00%
Budimex SA Ferrovial Agroman SA 2 s.c. ³	-	95.00%	95.00%

¹) The company was founded on 5 April 2023.

²) On 29 December 2022, an application was submitted to remove the company from the National Court Register. On 13 January 2023, the company was removed from the National Court Register.

³) On 17 May 2023, the partners of Budimex SA Ferrovial Agroman SA 2 s.c. adopted a resolution to dissolve the company due to the inability to achieve the economic goal for which the company was established.

As at 30 June 2023, 31 December 2022 and 30 June 2022 equity accounted companies included:

Associate	Share		
	30 June 2023	31 December 2022	30 June 2022
Promos Sp. z o.o.	26.31%	26.31%	26.31%

1.3. Description of the changes in the composition of the Group together with the indication of their consequences

In the 6-month period ended 30 June 2023 there were no other changes in the Group structure, except the ones described below.

During the reporting period, no significant activities of any Group company were discontinued, and there are no formal plans to discontinue any significant activities.

Purchase of shares in the company PPUH Konstalex Sp. z o.o.

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

The company is a manufacturer of steel structures. The Budimex Group presents the company's data within the construction segment. The purchase of shares in PPUH Konstalex Sp. z o. o. was recognized by the Group as the acquisition of a business.

As at the date of preparation of these condensed consolidated financial statements, the fair value of net assets was determined provisionally in accordance with IFRS 3, par. 45.

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Provisional fair values as at the acquisition date are presented in the table below:

Net assets identified in the acquired entity (determined provisionally):

	<u>May 2023</u>
Non-current assets	
Property, plant and equipment	2 859
Trade and other receivables	479
Current assets	
Inventories	4 116
Trade and other receivables	6 660
Valuation of construction contracts	14 718
Cash and cash equivalents	7 511
Current and non-current liabilities	
Loans, borrowings and other external sources of finance	(6 500)
Deferred tax liabilities	(105)
Trade and other payables	(21 538)
Valuation of construction contracts	(2 729)
Deferred income	(203)
Provisions for short-term liabilities and other charges	(843)
Retirement benefits and similar obligations	(747)
Acquired net assets at fair values determined provisionally	3 678
Goodwill identified on acquisition (provisionally determined)	8 822
Cash paid at acquisition date	(12 500)
Cash and cash equivalents in the acquired entity at the time of acquisition	7 511
Cash outflow related to the purchase	(4 989)

The goodwill identified on the acquisition (determined provisionally) amounted to PLN 8 822 thousand. Goodwill did not change in the period from the date of taking control to 30 June 2023. Goodwill was determined as the difference between the purchase price and the fair value of net assets attributable to the Budimex Group (all values recognized provisionally). The Group has not yet assessed whether goodwill includes, among others, intangible assets qualifying for separate recognition. Goodwill will not be tax deductible.

Sales revenue from the acquisition date to 30 June 2023	7 285
Net loss from the acquisition date to 30 June 2023	(216)
Sales revenue from the beginning of the year to 30 June 2023	30 215
Net loss from the beginning of the year to 30 June 2023	(143)

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

In connection with the takeover of control over the company, no indemnity assets were recognized.

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

Consolidation of Budimex F Sp. z o.o.

On 16 May 2014 Budimex F Sp. z o. o. was registered in the National Court Register. Due to the commencement of significant operating activities, the company has been consolidated since February 2023.

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Establishment of civil partnerships under German law

Budimex SA and Budimex Bau GmbH, a 100% subsidiary of Budimex SA, jointly established 3 civil partnerships under German law: ARGE Brücke Oderberg, ARGE Brücke Wittstock and ARGE Oberkrämmer, in which Budimex SA holds 5% of shares, and Budimex Bau GmbH 95% each. The companies are treated as joint operations and have been established to perform construction contracts.

Establishment of BXF Energia Sp. z o.o.

On 17 May 2023, the founding act of BXF Energia Sp. z o. o. was signed. Budimex SA holds 51% of shares in the newly established company, the remaining 49% is held by Ferrovial Services International SE with its seat in Amsterdam. As of the date of preparation of these financial statements, the company was not registered in the National Court Register.

Establishment of WMSerwis SA

On 22 May 2023, Budimex SA, as the sole shareholder, founded WMSerwis SA. The company was registered in the National Court Register on 12 July 2023. The company was not consolidated due to the lack of significant operating activity.

Establishment of Green Waste Management 1, 2, 3, 4, 5, 6 Sp. z o.o.

In June and July 2023, FBSerwis SA, a 100% subsidiary of Budimex SA, as the sole shareholder, established 6 limited liability companies. The companies were registered in the National Court Register in June, July and August 2023. The companies were not consolidated due to the lack of significant operating activity.

2. Shareholders of the Parent Company

According to the information held by Budimex SA, the shareholding structure of Budimex SA as at the report date was as follows:

Shareholder	Type of shares	Number of shares	% of the share capital	Number of votes	% of voting rights at the AGM
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 data presents the shareholding structure as at the last General Meeting of Shareholders of 18 May 2023, taking into account the information contained in the current report No 39/2023 of 13 June 2023.

According to the information held by Budimex SA, the shareholding structure of Budimex SA as at 31 December 2022 was as follows:

Shareholder	Type of shares	Number of shares	% of the share capital	Number of votes	% of voting rights at the AGM
Ferrovial Construction International SE	ordinary	12 801 654	50.14%	12 801 654	50.14%
Nationale-Nederlanden OFE	ordinary	2 353 889	9.22%	2 353 889	9.22%
Allianz OFE	ordinary	2 172 000	8.51%	2 172 000	8.51%
Other shareholders	ordinary	8 202 555	32.13%	8 202 555	32.13%
Total		25 530 098	100.00%	25 530 098	100.00%

The above data presents the shareholding structure as at the General Meeting of Shareholders of 19 May 2022, taking into account the information contained in the current report No 2/2023 of 5 January 2023.

3. Principles applied for the purpose of preparation of condensed financial statements

3.1. Accounting policies and basis of preparing the consolidated financial statements of the Budimex Group

These condensed consolidated financial statements were prepared in accordance with IAS 34 "Interim Financial Reporting" and appropriate accounting standards applicable for preparation of the interim financial statements adopted by the European Union issued and effective when preparing the interim consolidated financial statements applying the same principles for the current and comparable period. Details of accounting policies adopted by the Group were described in the consolidated financial statements of the Group for the year ended 31 December 2022, published on 31 March 2023.

The interim condensed consolidated financial statements of the Budimex Group cover the period of six months ended on 30 June 2023 and contain comparative data for the period of six months ended on 30 June 2022 and as at 31 December 2022. Consolidated statement of comprehensive income and income statement and notes to the consolidated statement of comprehensive income and income statement covering data for the period of 3 months ended on 30 June 2023 and comparative data for the period of 3 months ended on 30 June 2022, were not subject to review or audit by a certified auditor.

The consolidated financial statements were prepared on the assumption that the Parent Company and all entities included in the Budimex Group will continue as a going concern in the foreseeable future. In the reporting period and as at the date of preparation of these financial statements no circumstances were noted that would indicate a threat to ability to continue as a going concern.

Standards and amendments to standards effective in the current period

The Group for the first time adopted standards and amendments to standards listed below:

- Amendments to IAS 1 "Presentation of financial statements" and IFRS Practice Statement 2: "Disclosure of accounting policies",
- Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors",
- Amendments to IAS 12 "Income Taxes" – "Deferred tax related to assets and liabilities arising from a single transaction",
- IFRS 17 "Insurance contracts" and Amendments to IFRS 17,
- Amendments to IFRS 17 "Insurance Contracts" - "Initial Application of IFRS 17 and IFRS 9 - Comparative Information".

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

Standards and amendments to standards issued by IASB but not yet adopted by the EU

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

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

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- Amendments to IAS 12 “Income Taxes” – “International Tax Reform – Pillar Two Model Rules” (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 7 “Statement of Cash Flows” and IFRS 7 “Financial Instruments: Disclosures” – “Supplier Finance Arrangements” (effective for annual periods beginning on or after 1 January 2024),
- Amendments to IAS 21 “The Effects of Changes in Foreign Exchange Rates” – Lack of Exchangeability (effective for annual periods beginning on or after 1 January 2025).

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

3.2. Cash recognised in the cash flow statement

The Group recognizes cash of restricted use (including mainly cash of the consortia in the portion attributable to other consortium members, cash representing security for bank guarantees and split payment bank accounts) in the statement of financial position under cash and cash equivalents. For the purpose of the statement of cash flow – the balance of cash at the beginning and at the end of the reporting period is reduced by cash of restricted use, and its change in the statement of financial position is recognized under cash flow from operating activities.

	30 June 2023	31 December 2022	30 June 2022
Cash recognised in the statement of financial position	2 833 210	3 249 369	2 119 877
Cash and cash equivalents of restricted use	(20 900)	(27 959)	(46 326)
Cash recognised in the statement of cash flow	2 812 310	3 221 410	2 073 551

4. Net sales of finished goods and services, selling expenses, administrative expenses and profitability

Sale of construction-assembly services in Poland is characterized by seasonality mainly connected with weather conditions and the highest revenues are usually achieved in the second and third quarter, while the lowest – in the first quarter.

In the first half-year of 2023 construction-assembly production in Poland expressed in current prices increased by 15.5% compared to the corresponding period of the previous year (an increase by 3.8% in constant prices), while sales of the construction segment of the Budimex Group on the home market increased 8.3% on the corresponding period.

Net sales and profitability

	6 months ended			3 months ended		
	30 June 2023	30 June 2022	Change in %	30 June 2023	30 June 2022	Change in %
Net sales of finished goods and services	4 317 944	3 998 229	8.00%	2 378 517	2 399 243	(0.86%)
Gross profit on sales	401 393	395 988	1.36%	227 199	263 917	(13.91%)
Gross profitability on sales	9.30%	9.90%	(0.60 p.p.)	9.55%	11.00%	(1.45 p.p.)
Operating profit	272 635	234 700	16.16%	170 307	177 257	(3.92%)
Operating profitability	6.31%	5.87%	0.44 p.p.	7.16%	7.39%	(0.23 p.p.)
Operating profit on sales in construction segment	228 847	197 183	16.06%	148 062	154 401	(4.11%)
Operating profitability on sales in construction segment	5.89%	5.43%	0.46 p.p.	6.85%	7.02%	(0.17 p.p.)
Operating profit on sales in service segment	43 816	37 617	16.48%	22 273	22 856	(2.55%)
Operating profitability on sales in service segment	9.97%	10.13%	(0.16 p.p.)	10.03%	11.14%	(1.11 p.p.)
Gross profit	356 674	262 084	36.09%	213 604	199 494	7.07%
Gross profitability	8.26%	6.56%	1.70 p.p.	8.98%	8.31%	0.67 p.p.
Net profit	280 781	208 650	34.57%	170 846	149 194	14.51%
Net profitability	6.50%	5.22%	1.28 p.p.	7.18%	6.22%	0.96 p.p.

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Selling expenses and administrative expenses

	6 months ended			3 months ended		
	30 June 2023	30 June 2022	Change in %	30 June 2023	30 June 2022	Change in %
Selling expenses	(6 273)	(6 335)	(0.98%)	(3 297)	(3 208)	2.77%
Administrative expenses	(165 070)	(145 588)	13.38%	(87 954)	(78 435)	12.14%
Total selling & administrative expenses	(171 343)	(151 923)	12.78%	(91 251)	(81 643)	11.17%
Share of selling & administrative expenses in net sales of finished goods and services	3.97%	3.80%	0.17 p.p.	3.84%	3.40%	0.44 p.p.

5. Other operating income and expenses

Other operating income

	6 months ended		3 months ended	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
Reversal of impairment write-downs against receivables	12 469	2 806	6 389	1 476
Reversal of impairment write-downs against property, plant and equipment	1 676	-	1 676	-
Penalties/ compensations awarded	14 859	16 217	10 402	7 467
Statute-barred liabilities written-off	-	1 361	-	277
Gains on derivative financial instruments	36 290	206	26 759	69
Subsidies received	442	60	436	24
Gains on the sale of non-financial non-current assets	2 119	742	1 028	594
Other	929	490	366	225
Total	68 784	21 882	47 056	10 132

Other operating expenses

	6 months ended		3 months ended	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
Impairment write-downs against receivables	(9 211)	(8 840)	(2 168)	(6 315)
Compensations and liquidated damages paid	(13 474)	(3 718)	(10 226)	(2 179)
Loss on derivative financial instruments	-	(798)	642	161
Court charges and executions, costs of legal proceedings	(808)	(1 047)	(381)	(599)
Creation of provisions for litigation proceedings	(1 114)	(12 262)	(458)	(3 784)
Donations given	(794)	(1 819)	(207)	(990)
Other	(798)	(2 763)	101	(1 443)
Total	(26 199)	(31 247)	(12 697)	(15 149)

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6. Finance income and costs

Finance income

	6 months ended		3 months ended	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
Interest earned	104 419	41 691	50 074	29 974
Valuation of receivables from service concession arrangement	1 434	1 439	717	720
Gains on derivative financial instruments	323	3 261	158	1 803
Foreign exchange gains	5 897	791	5 562	496
Other	210	1 397	20	115
Total	112 283	48 579	56 531	33 108

Finance costs

	6 months ended		3 months ended	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
Interest expense	(6 511)	(4 744)	(3 069)	(2 618)
Discount of retentions for construction contracts	(6 279)	(3 355)	(2 965)	(1 563)
Cost of bank commissions and guarantees	(14 316)	(12 832)	(7 082)	(6 516)
Loss on derivative financial instruments	(823)	(45)	(480)	38
Other	(522)	(263)	169	(248)
Total	(28 451)	(21 239)	(13 427)	(10 907)

All valued derivative instrument contracts (presented both in the operating and financing activity) were classified as level 2 in the fair value hierarchy. During the 6 months ended 30 June 2023, there was no transfer between Level 1 and Level 2 of fair value measurements, and no transfer into and out of Level 3 of fair value measurement. The fair value of financial instruments owned by the Group companies is similar to their carrying value.

7. Other important information on activity of the Budimex Group in the I half of 2023

Provisions for liabilities and other charges

	30 June 2023	31 December 2022
Provisions for litigation proceedings	41 016	40 128
Provisions for compensations and liquidated damages	174 786	181 125
Provisions for warranty repairs	666 641	635 970
Provisions for land reclamation	55 100	54 952
Provisions for waste storage fee	32 300	29 638
Other provisions	23 240	22 319
Total	993 083	964 132
<i>of which:</i>		
- long-term	651 240	626 314
- short-term	341 843	337 818

Income tax in the income statement

	30 June 2023	30 June 2022
Income tax – current	(53 598)	(95 861)
Income tax – deferred	(22 295)	42 427
Income tax in the income statement	(75 893)	(53 434)

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Other information

	6 months ended	
	30 June 2023	30 June 2022
Value of property, plant and equipment and intangible assets purchased or started to be leased:	80 133	71 189
- of which: plant and machinery	6 656	33 157

As at 30 June 2023 contractual obligations made by the Group for the purchase of property, plant and equipment amounted to PLN 15 504 thousand. As at 31 December 2022 the Group's contractual investment commitments amounted to PLN 7 443 thousand of which PLN 4 303 thousand related to the purchase of vehicles, machinery and equipment, and PLN 3 140 thousand related to the reconstruction and extension of office and social buildings.

In the first half of 2023 the Budimex Group recorded a decrease in the level of cash and cash equivalents, which is mainly related to the payment of dividends. The decrease in the balance of inventories is caused by the seasonal increase in construction works, and thus, the increased use of previously purchased building materials. The increase in the balance of the valuation of construction contracts on the assets side is primarily due to seasonality and high production throughput in the second quarter of this year. This is a recurring trend observed in recent years. In addition, on selected contracts, the invoicing of the completed works takes place only after completion and receipt by the ordering party of the complete so-called "milestones". As in previous years, we expect a decrease in the level of underbilling at the end of the year. The Budimex Group also recorded an increase in the balance of current income tax receivables, primarily due to the update of the income tax calculation for 2022 and the filing of the tax return in June 2023. The increase in the balance of other financial assets results mainly from the valuation of derivatives (options and forward contracts).

In the first half of 2023 the Budimex Group observed a decrease in the balance of valuation of construction contracts (overbilling) on rail and road contracts, which resulted primarily from the completed throughput of construction works. In addition, the Budimex Group recorded an increase in short-term trade payables compared to 31 December 2022, which resulted mainly from the seasonality of construction works and related settlements with subcontractors. In turn, the increase in the balance sheet level of provisions for losses was directly related to the update of construction contract budgets, which took into account the expected increase in construction costs. This increase concerned mainly several contracts at their initial stage and was mainly caused by an increase in the prices of construction materials.

Apart from that, there were no other significant changes in the items of the consolidated statement of financial position.

8. Operating segments

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

- construction business,
- service activities.

Construction business covers rendering of widely understood construction-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. (included in the consolidation scope from May 2023).

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

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segment were the following entities:

- Budimex Parking Wrocław Sp. z o.o.
- FBSerwis SA
- FBSerwis A Sp. z o.o.
- FBSerwis B Sp. z o.o.
- FBSerwis Dolny Śląsk Sp. z o.o.
- FBSerwis Wrocław Sp. z o.o.
- FBSerwis Karpatia Sp. z o.o.
- FBSerwis 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.
- Zakład Przetwarzania Odpadów Zawisty Sp. z o.o.
- Fotowoltaika HIG XIV Sp. z o.o.
- Budimex Mobility SA (previously Budimex PPP SA)
- Budimex F Sp. z o.o. (included in the consolidation scope from February 2023).

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

The results of segments for the first half of 2023 are presented in the table below:

Segment name	Construction business	Service activities	Consolidation adjustments	Consolidated value
External sales	3 881 280	436 664	-	4 317 944
Inter-segment sales	3 823	3 001	(6 824)	-
Total sales of finished goods, goods for resale and raw materials	3 885 103	439 665	(6 824)	4 317 944
Gross profit on sales	325 809	79 330	(3 746)	401 393
Selling expenses	(6 273)	-	-	(6 273)
Administrative expenses	(143 299)	(25 489)	3 718	(165 070)
Other operating income/(expenses), net	52 610	(10 025)	-	42 585
Operating profit	228 847	43 816	(28)	272 635
Finance income/(costs), net	83 344	2 491	(2 003)	83 832
Shares in profits of equity accounted subordinates	-	207	-	207
Income tax expense	(61 540)	(14 739)	386	(75 893)
Net profit for the period	250 651	31 775	(1 645)	280 781

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The results of segments for the first half of 2022 are presented in the table below:

Segment name	Construction business	Service activities	Consolidation adjustments	Consolidated value
External sales	3 629 731	368 498	-	3 998 229
Inter-segment sales	4 214	2 793	(7 007)	-
Total sales of finished goods, goods for resale and raw materials	3 633 945	371 291	(7 007)	3 998 229
Gross profit on sales	336 341	60 961	(1 314)	395 988
Selling expenses	(6 335)	-	-	(6 335)
Administrative expenses	(124 837)	(21 965)	1 214	(145 588)
Other operating income/ (expenses), net	(7 986)	(1 379)	-	(9 365)
Operating profit	197 183	37 617	(100)	234 700
Finance income/ (costs), net	23 341	4 202	(203)	27 340
Shares in profits of equity accounted subordinates	-	44	-	44
Income tax expense	(50 562)	(2 930)	58	(53 434)
Net profit for the period	169 962	38 933	(245)	208 650

9. Revenue from sale of finished goods, services, goods for resale and raw materials, by category

9.1. Sales revenue, by type of good or service

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

Segment name	Construction business	Service activities	Consolidation adjustments	Consolidated financial data
Sales of construction and assembly services	3 819 863	-	(554)	3 819 309
Sales of other services	36 371	439 665	(6 238)	469 798
Sales of finished goods	17 339	-	-	17 339
Sales of goods for resale and raw materials	11 530	-	(32)	11 498
Total sales of finished goods, goods for resale and raw materials	3 885 103	439 665	(6 824)	4 317 944

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

Segment name	Construction business	Service activities	Consolidation adjustments	Consolidated financial data
Sales of construction and assembly services	3 591 220	-	(3 516)	3 587 704
Sales of other services	3 136	371 291	(3 491)	370 936
Sales of finished goods	33 969	-	-	33 969
Sales of goods for resale and raw materials	5 620	-	-	5 620
Total sales of finished goods, goods for resale and raw materials	3 633 945	371 291	(7 007)	3 998 229

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9.2. Sales revenue, by geographical area

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

Segment name	Construction business	Service activities	Consolidation adjustments	Consolidated financial data
Poland	3 739 467	439 474	(6 824)	4 172 117
Germany	131 976	121	-	132 097
Slovakia	3 686	45	-	3 731
Other EU countries	9 974	25	-	9 999
Total sales of finished goods, goods for resale and raw materials	3 885 103	439 665	(6 824)	4 317 944

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

Segment name	Construction business	Service activities	Consolidation adjustments	Consolidated financial data
Poland	3 453 307	370 753	(7 007)	3 817 053
Germany	133 175	538	-	133 713
Other EU countries	19 475	-	-	19 475
Other countries*	27 988	-	-	27 988
Total sales of finished goods, goods for resale and raw materials	3 633 945	371 291	(7 007)	3 998 229

* Other countries: Great Britain

9.3. Sales revenue of the segment „Construction business” by construction type

Net sales of finished goods, services, goods for resale and raw materials of the „Construction business” as the most significant operating segment in the Budimex Group were additionally analysed by type of construction objects. Data for the first half of 2023 and the first half of 2022 were as follows:

Type of construction	Sales revenue for a 6-month period ended:	
	30 June 2023	30 June 2022
Land-engineering	1 447 608	1 462 986
Railway	981 791	751 357
General construction, of which:	1 455 704	1 419 602
- non-housing	1 408 206	1 292 618
- housing	47 498	126 984
Net sales of finished goods, goods for resale and raw materials – Construction business segment	3 885 103	3 633 945

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10. Related party transactions

Transactions with related parties made in the first half of 2023 and in the first half of 2022 and unsettled balances of receivables and liabilities as at 30 June 2023 and 31 December 2022 are presented in the tables below:

	Receivables		Liabilities	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
Parent and its related parties (the Ferrovia Group)	12	-	23 104	25 450
Jointly controlled entities	15 047	14 994	660	736
Associates	5	2	6	7
Other related entities – non-consolidated subsidiaries*	-	-	-	98
Total settlements with related parties	15 064	14 996	23 770	26 291

	Loans granted		Loans taken out	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
Other related entities – non-consolidated subsidiaries*	3 004	1 987	-	-
Total transactions with related parties	3 004	1 987	-	-

	Sales of finished goods and services & other operating and finance income		Purchase of finished goods and services & other operating and finance costs	
	6-month period ended 30 June		6-month period ended 30 June	
	2023	2022	2023	2022
Parent and its related parties (the Ferrovia Group)	-	-	(19 778)	(13 792)
Jointly controlled entities	143	295	-	(3)
Associates	9	23	(54)	(362)
Other related entities – non-consolidated subsidiaries*	14	4	(7)	-
Total transactions with related parties	166	322	(19 839)	(14 157)

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

As at 30 June 2023 and 31 December 2022, the Group's companies did not have debt securities purchased from related entities, nor any loans received or debt securities sold to these entities.

Inter-Group transactions are made on an arm's length basis.

11. Factors which will affect results achieved by the Group in a period covering at least the next half-year

The most important factors that may have an impact on the Group's financial position in the perspective of at least the next half-year include:

- economic uncertainty related to the war in Ukraine,
- availability of qualified staff,
- availability and level of prices of construction materials and services affecting the amount of direct costs of the contracts carried out,
- risks related to logistics and transport of construction materials,
- volatility of exchange rates that affect the amount of sales revenues and operating costs as well as the result on the valuation and settlement of derivatives,
- level of competition in announced public tenders,
- intensification of activities aimed at recovering overdue receivables,

- results of pending court cases, which are described in more detail in Note 16 to these consolidated financial statements,
- changes in tax regulations affecting the construction industry.

12. Description of significant achievements or failures of the Budimex Group in the I half-year of 2023, key events concerning the Group's operations and significant events after 30 June 2023

The sales revenue increased by 8% compared to the corresponding period of the previous year sales. The operating profitability improved as well. A significant backlog and relatively good weather conditions allowed to increase the scale of revenues in the construction segment by almost 7% compared to the same period of the previous year. The subsidiary Mostostal Kraków SA, which in prior year suffered from negative impact of remarkable increase in steel prices caused by the armed conflict in Ukraine, was a key contributor to the improved operating profitability in the first half of 2023. In the current year the availability of steel was noticeably better and prices of various assortments of steel used by the company in the production process backed to levels observed before the war outbreak.

In the first half of 2023 the service segment, whose pillar is the FBSerwis Group, significantly increased its sales revenue (by 18%) compared to the same period of the previous year. At the same time, an increase in the generated operating profit and profit before tax was recorded, and a high level of operating profitability was maintained. The main driver of the improved revenue was a higher number of contracts in the road maintenance segment.

The backlog of the Budimex Group is profitable and largely secures revenues until the end of 2024. The structure of the portfolio has not changed significantly over the last year - the backlog is based mainly on infrastructure and railway contracts, which account for approximately 2/3 of its value. The Budimex Group conducts regular budget updates of long-term contracts, and changes in material prices are taken into account in the revised cost estimates.

The backlog of the Budimex Group as of 30 June 2023 amounted to PLN 12 215 704 thousand. The value of contracts signed between January and June 2023 amounted to PLN 2 540 822 thousand. In the period from 1 July to the date of preparation of these financial statements, contracts worth around PLN 1.1 billion were signed. In addition, the value of contracts in which the bids of Group companies are the lowest or have been rated the highest by ordering parties is nearly PLN 4.5 billion, which gives favorable prospects for the evolution of the order portfolio in the coming quarters and builds the foundations of operations for 2024-2025.

At the end of the first half of 2023, the Group's cash position decreased compared to the end of 2022, mainly due to the dividend payout of PLN 459 286 thousand. A series of interest rate increases started in October 2021 resulted in an increase in the average interest rate on bank deposits. As a consequence, the Budimex Group recorded a significant improvement in the result on financial activities compared to the same period last year. This trend is expected to continue in the next quarter of 2023. On the other hand, a large increase in the nominal value of sales contracts in a foreign currency hedged against exchange rate risk, with a relatively high historical exchange rate of the zloty in the period between the first half of 2022 and the first half of 2023, and the strengthening of the zloty in the second half of 2023 resulted in a significant increase in the gain from valuation of derivatives.

The high and stable net cash position of the Budimex Group, which has been maintained for several years, enables a safe execution of investment plans, allowing to expand operations in new areas and to strengthen the existing competences through organic development, as well as through acquisitions. In May 2023, a subsidiary of Budimex SA - Mostostal Kraków SA, purchased for cash 100% of shares in PPUH Konstalex Sp. z o.o., an entity specializing in the production of steel structures. Thanks to this acquisition, the production potential of the Budimex Group in the field of manufacturing of large-size steel structures has been significantly expanded and strengthened.

In the first half of 2023, a new foreign branch of Budimex SA, located in Slovakia, started to operate. As a part of this project, a contract for the construction of the D1 Bratislava-Triblavina motorway is being carried out. In addition, Budimex SA opened a foreign branch in the Czech Republic, where it participates in tender procedures for construction contracts in the road and railway infrastructure areas.

The ongoing armed conflict in Ukraine has no direct impact on the operations of the Budimex Group. The Group does not execute contracts in Ukraine, Russia nor Belarus. The Budimex Group companies do not have a significant exposure to services provided by entities with Eastern capital, either.

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

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

According to the media, the proceedings concern irregularities in tenders organized by the Municipal Cleaning Company (MPO) in Warsaw in the field of waste disposal.

The employees of FBSerwis SA were subjected to a preventive measure in the form of temporary arrest for periods of 2 and 3 months, as a consequence, the Supervisory Board of FBSerwis SA decided to suspend the President of the Management Board of FBSerwis SA for a period of 2 months and the Vice-President of the Management Board of FBSerwis SA for a period of 3 months. The same decision was made by the Supervisory Board of Budimex SA in relation to the President of the Management Board of FBSerwis SA as a member of the Management Board of Budimex SA. Subsequently, both persons were dismissed from the Management Board of FBSerwis SA. FBSerwis SA also terminated their employment contracts. The President of the Management Board of FBSerwis SA was also dismissed from the Management Board of Budimex SA.

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

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

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

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

In the period from 30 June 2023 to the date of preparation of the condensed consolidated financial statements, no other significant events took place.

13. Issue, redemption and repayment of debt and equity securities

In the first half-year of 2023 Budimex SA and Group companies did not issue, redeem or repay debt or equity securities.

14. The Management Board's position on the feasibility of results stated in the financial forecasts published earlier for the year in view of the financial results presented in the half-year report in relation to the projected results

Budimex SA did not publish any forecasts.

15. Statement of ownership of shares of Budimex SA or rights to such shares (options) held by the managing or supervisory persons of Budimex SA as at the date of publication of this report together with indication of changes in the ownership in the I half-year of 2023

As at the date of publication of the report members of the Management Board and Supervisory Board of Budimex SA held the following number of shares:

Artur Popko	(President of the Management Board)	2 031 shares
Marcin Węglowski	(Management Board member)	2 830 shares

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Anna Karyś-Sosińska	(Management Board member)	1 200 shares
Marek Michałowski	(chairman of the Supervisory Board)	4 000 shares

Above mentioned members of the Management Board and Supervisory Board do not own share options of the company. As at the date of publication of this report other managing and supervisory persons of Budimex SA do not hold its shares or share options. This status has changed since 31 December 2022, due to the appointment of Anna Karyś-Sosińska as a member of the Management Board of Budimex SA on 1 January 2023, who held shares in Budimex SA before the date of assuming the function.

16. Proceedings pending as at 30 June 2023 before court, competent arbitration body or any public administration authority

The total value of legal proceedings in progress in respect of liabilities and receivables of the Group companies as at 30 June 2023 was PLN 696 500 thousand. Excess of the value of proceedings related to claims of the Group companies over proceedings against them amounted to PLN 124 576 thousand.

In accordance with information in the possession of Budimex SA, the total value of legal proceedings in progress in respect of liabilities of Budimex SA and its subsidiaries as at 30 June 2023 was PLN 285 962 thousand. These proceedings involve the Group companies' operating activity.

The largest item in terms of the value of the subject of the dispute was the lawsuit against Budimex SA and Ferrovial Agroman SA in Madrid (currently Ferrovial Construcción SA), 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 Silesian Museum building in Katowice by the consortium was confirmed by the Claimant issuing the Work Acceptance Certificate and Implementation Certificate for the building. The Management Board assesses that the provisions for warranty repairs and court proceedings recognised beforehand fully cover the risks related to court case. Budimex SA filed its response to the claim on 31 October 2017 and supplemented it in January 2018. Ferrovial Agroman SA filed a reply to the statement of claim on 22 October 2018. The first hearing took place on 11 March 2019, during which the court ordered the parties to make an advance payment for expert fees. 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 Ferrovial Construcción SA agreed to mediation and the appointed mediator. The first mediation meetings were held in the first half of 2023. At the mediation meeting on 12 July 2023, the claimant declared to prepare additional documentation within 3 months, which could become the starting point for further negotiations with the contractor as part of mediation.

Another legal proceedings with a material value relate to the claim filed on 5 March 2008 by Miejskie Wodociągi i Kanalizacja w Bydgoszczy Sp. z o.o. requesting that the amount of PLN 25 252 thousand be awarded jointly and severally against the consortium to which the Budimex SA and Budimex Dromex SA belonged. The claim relates to the replacement of contractor costs incurred by the investor when the consortium rescinded the contract. The Budimex Group's share in consortium was 90%, therefore the value of the claim for which Budimex SA is liable is PLN 22 727 thousand. On 12 July 2017, the court of the first instance awarded against Budimex SA 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.

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.

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The total value of legal proceedings pending in respect of claims of Budimex SA and its subsidiaries amounted to PLN 410 538 thousand as at 30 June 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.

17. Contingent assets and contingent liabilities

	30 June 2023	31 December 2022
Contingent assets		
From other entities		
– guarantees and sureties received	730 281	704 381
– bills of exchange received as security	72 299	74 957
From other entities, total	802 580	779 338
Other contingent assets	9 999	11 844
Total contingent assets	812 579	791 182
Contingent liabilities		
To other entities, of which:		
– guarantees and sureties issued	5 062 266	5 036 676
– promissory notes issued as performance bond	8 259	9 031
To other entities, total	5 070 525	5 045 707
Other contingent liabilities	181	181
Total contingent liabilities	5 070 706	5 045 888
Total contingent items	(4 258 127)	(4 254 706)

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

Contingent liabilities arising from guarantees and sureties comprise mainly guarantees issued by banks to business partners of the Group companies to secure their claims against the Group companies that may arise on the grounds of executed construction contracts. The banks are entitled to recourse claims against the Group companies under these guarantees. Guarantees issued to the investors of the Group represent an alternative, to the retentions held, method of securing potential investor claims relating to construction contracts. At the same time, the risk relating to warranty repairs assessed by the Group companies as probable was appropriately reflected in the warranty repair provision, as described in note 7 to these condensed consolidated financial statements.

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

Guarantees and sureties issued by Budimex SA and related entities as at 30 June 2023:

Name of the company which issued a guarantee or surety	Name of the (company) entity which received a surety or a guarantee	Total value of guarantees or sureties issued	Period of guarantees or sureties issuance	Financial conditions in respect of guarantees and sureties issued	Type of relations between Budimex SA and the entity which took out a guarantee or surety
Budimex SA	Mostostal Kraków SA	179 544	2030-10-24	against payment	subsidiary
Budimex SA	Mostostal Kraków Energetyka Sp. z o.o.	141	2023-11-21	against payment	subsidiary
Budimex SA	Budimex Budownictwo Sp. z o.o.	182 741*	2029-10-15	free of charge	subsidiary

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Name of the company which issued a guarantee or surety	Name of the (company) entity which received a surety or a guarantee	Total value of guarantees or sureties issued	Period of guarantees or sureties issuance	Financial conditions in respect of guarantees and sureties issued	Type of relations between Budimex SA and the entity which took out a guarantee or surety
Budimex SA	Budimex Kolejnictwo SA	6 644	2027-12-31	against payment	subsidiary
Budimex SA	FBSerwis SA	13 721	2030-07-12	against payment	subsidiary
Budimex SA	Magnolia Energy Sp. z o.o.	1 733	2023-09-30	against payment	subsidiary
Budimex SA	Budimex Bau GmbH	3 770	indefinitely	against payment	subsidiary
Budimex SA	RailBX GmbH	43	2026-11-30	against payment	subsidiary
Budimex SA	Budimex Mobility SA	7	2026-03-20	against payment	subsidiary
PPUH Konstalex Sp. z o.o.	Budimex SA	2 324	2029-03-31	contractual guarantee	subsidiary
TOTAL		390 668			

*sureties were issued for contracts carried out by Budimex SA

Guarantees and sureties issued by Budimex SA as at 31 December 2022:

Name of the company which issued a guarantee or surety	Name of the (company) entity which received a surety or a guarantee	Total value of guarantees or sureties issued	Period of guarantees or sureties issuance	Financial conditions in respect of guarantees and sureties issued	Type of relations between Budimex SA and the entity which took out a guarantee or surety
Budimex SA	Mostostal Kraków SA	199 969	2030-10-24	against payment	subsidiary
Budimex SA	Mostostal Kraków Energetyka Sp. z o.o.	141	2023-11-21	against payment	subsidiary
Budimex SA	Budimex Budownictwo Sp. z o.o.	183 757*	2029-10-15	free of charge	subsidiary
Budimex SA	Budimex Kolejnictwo SA	8 069	2027-12-31	against payment	subsidiary
Budimex SA	FBSerwis SA	14 665	2030-07-12	against payment	subsidiary
Budimex SA	Magnolia Energy Sp. z o.o.	33 794	2023-03-31	against payment	subsidiary
Budimex SA	Budimex Bau GmbH	3 972	indefinitely	against payment	subsidiary
Budimex SA	RailBX GmbH	46	2026-11-30	against payment	subsidiary
TOTAL		444 413			

*sureties were issued for contracts carried out by Budimex SA

Warsaw, 21 August 2023

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

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The logo for budimex, featuring the word "budimex" in a lowercase, bold, orange sans-serif font.

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

Maciej Olek Member of the Management Board	
Marcin Węglowski Member of the Management Board	
Grzegorz Fałara Chief Accountant	

This is a translation of condensed consolidated financial statements originally issued in Polish. In case of any inconsistencies between the Polish and English version, the Polish version shall prevail.