

budimex

THE BUDIMEX GROUP

BUDIMEX SA

DIRECTORS' REPORT FOR 2022

TABLE OF CONTENTS

1	BUSINESS ENVIRONMENT	4
1.1	General market conditions	4
1.2	Market development prospects	4
1.3	Strategy adopted by the issuer and its capital group	6
2	CURRENT ACTIVITIES AND DEVELOPMENT PERSPECTIVES FOR THE BUDIMEX GROUP	7
2.1	The Group's organisational structure, consolidated entities and changes in Group organisation	7
2.2	Operating segments and branches of the Parent Company	9
2.3	Structure of sales revenues	10
2.3.1	Structure of sales revenues of the Budimex Group	10
2.3.2	Structure of sales revenues of Budimex SA	12
2.4	Construction activities of the Budimex Group on the German market	13
2.5	Budimex Group and Budimex SA development prospects in the forthcoming year	13
2.6	Evaluation of investment project feasibility	14
2.7	Risk factors	14
2.8	Procurement source changes	14
3	FINANCIAL POSITION	15
3.1	Key economic and financial data	15
3.1.1	Key economic and financial data of the Budimex Group	15
3.1.2	Key economic and financial data of Budimex SA	18
3.2	Statement of Cash Flows	21
3.2.1	Consolidated Statement of Cash Flows of the Budimex Group	21
3.2.2	Statement of Cash Flows of Budimex SA	21
3.3	Managing of finance	21
3.3.1	Managing of finance at the Budimex Group	21
3.3.2	Managing of finance at Budimex SA	23
3.4	Contingent liabilities and contingent receivables of the Budimex Group	24
3.5	Differences between forecast and actual financial results of the Budimex Group	24
3.6	Utilisation of proceeds from issues of securities	24
4	SIGNIFICANT AGREEMENTS	24
4.1	Insurance agreements for the Budimex Group companies	24
4.2	Cooperation agreements binding in 2022	25
4.3	Related party transactions	26
4.4	Loans and borrowings	26
4.5	Major capital deposits and equity investments in 2022	27
4.6	Information about borrowings granted during the accounting year, including in particular borrowings granted to related parties	27
5	OTHER INFORMATION	28
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	28
5.2	Acquisition of own shares	28
5.3	System of control over employee share incentive schemes	28
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	28
5.5	Information about charity and sponsorship activities	28
5.6	Legal proceedings	30
5.7	Significant achievements in the area of research and development	30
5.8	Retirement and similar benefit obligations toward former members of the management and supervisory boards	31
6	CORPORATE GOVERNANCE	31
6.1	Corporate governance policies at Budimex SA and public availability of the underlying document	31
6.2	Compliance policy	32
6.3	Diversity policy	32
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	33
6.5	Shareholders with direct or indirect ownership of significant blocks of shares	34
6.6	Holders of all securities which confer special control rights	34
6.7	Restrictions on exercising voting rights	34
6.8	Restrictions on transferring ownership rights to the securities of Budimex SA	34
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	34
6.10	Implementing changes to the Articles of Association of Budimex SA	35
6.11	Functioning of the General Meeting of Shareholders, its fundamental powers, rights of the shareholders and the manner of exercising those rights	35
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	37

Directors' Report on the activities of the Budimex Group and Budimex SA in 2022

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

6.13	Remuneration Policy for Members of Management and Supervisory Boards, as well as key managers at Budimex SA.....	41
7	REPORT ON NON-FINANCIAL INFORMATION.....	43
8	REPRESENTATION BY THE MANAGEMENT BOARD	43

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

1 BUSINESS ENVIRONMENT

1.1 General market conditions

According to a preliminary estimate, gross domestic product (GDP) in 2022 was higher by 4.9 per cent in real terms compared with 2021, versus an increase by 6.8 per cent in 2021 (at constant previous year's prices). This marks a continuation of the upward trend observed in 2021.

Gross fixed capital formation in 2022 increased by 4.6 per cent year-on-year, compared with an increase by 2.1 per cent in 2021. The investment rate in the national economy (the ratio of gross fixed capital formation to gross domestic product in current prices) in 2022 was 16.8 per cent compared with 17.0 per cent in 2021. In 2022, gross value added in the construction industry increased by 4.5 per cent year-on-year compared with an increase by 5.3 per cent in 2021.

The average annual total consumer price index in 2022 compared to 2021 was 114.4 (a 14.4 per cent increase in prices), up from 5.1 per cent in 2021.

In 2022, the registered unemployment rate in Poland was relatively flat compared to the previous year – it declined slightly by 0.2 percentage points from 5.4 per cent in December 2021 to 5.2 per cent in December 2022.

In 2022, the general business climate index for the construction industry was lower than in 2021. In December 2022, the index stood at -23.9 and was at its lowest level compared to the other months of 2022. This is driven by the uncertainty related to the economic consequences of the pandemic, rapidly rising inflation and the war in Ukraine. In addition, due to the increase in interest rates, the cost of financing of investments has increased significantly and the creditworthiness of potential property buyers has declined. Among the main reasons for the unfavourable economic situation, construction companies mention problems with the supply and high prices of raw materials and construction materials, as well as the outflow of workers from Ukraine, particularly low-skilled ones. In contrast, a higher business climate index in the construction industry has been emerging among construction businesses classified by type of activity, such as building construction, engineering works and specialised works. This is supported by government projects related to investments in roads, railways, seaports, flood protection facilities and critical infrastructure projects.

According to preliminary data from the Central Statistical Office, construction and assembly output (at constant prices) delivered in Poland by construction businesses employing more than nine people in December 2022 decreased by 0.8 per cent year-on-year (an increase by 3.1 per cent in the previous year) and was 17.3 per cent higher than in November 2022 (an increase by 22.9 per cent in the previous year). However, the situation differed depending on the type of construction: an increase in construction and assembly output was recorded on an annual basis for businesses whose primary activity was the construction of civil engineering structures – by 1.4 per cent. A decrease in output was recorded for businesses carrying out specialised construction work - by 1.7 per cent and for those involved in the erection of buildings – by 3.7 per cent. In 2022, a year-on-year increase in the value of construction and assembly work delivered was reported in all branches of Section F, with companies carrying out building construction work up by 11.7%, those carrying out specialised construction work up by 5.4 per cent and those engaged in civil engineering construction up by 2.8 per cent. In 2022, increases were observed in the value of works performed on an annual basis - for works of an investment nature by 1.1 per cent (in 2021 a decrease by 1.3%) and repair works by 13.9 per cent (in 2021 an increase by 10.7%).

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. The series of increases announced by the MPC pushed the reference rate to 6.75% in September last year. This has translated into a decline in lending by more than 40 per cent compared to 2021. High interest rates are affecting investors and homebuyers, who are facing a deterioration in creditworthiness and higher mortgage costs, which translates into weaker residential construction performance.

The total installed capacity of renewable energy sources in Poland reached more than 22 GW in November last year, accounting for 36 per cent of all electricity sources at that time. The structure of installed capacity is dominated by photovoltaics (around 54 per cent of all renewable capacity).

1.2 Market development prospects

According to projections by the Polish Economic Institute (PIE), published in December 2022, Poland, like other EU economies, is facing a slowdown. According to analysts, the domestic economy is heading towards a shallow recession. For the whole of 2023, GDP is expected to increase by 1.2 per cent, while quarterly results will differ significantly – at the beginning of the year, experts expect a recession (GDP decline by 0.3 per cent year-on-year), resulting in inventory reductions by companies and weak performance by exporters. In the second half of the year, activity will pick up due to an improvement in the euro zone. In addition, despite the slowdown, Poland will face elevated inflation, which is not expected to slow down until 2024, according to analysts. In 2023, analysts predict CPI inflation of 13%, up from 14.4% in 2022. The peak in inflation is likely to occur in February (more than 20%), with the high figure attributable to the reintroduction of standard VAT rates on electricity, fuel and natural gas. From March onwards, inflation should normalise and be slightly above 8% by the end of the year.

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. By 28 December 2022, Poland had received advance payments from the European Commission (under the 2021-2027 financial perspective) in the total amount of EUR 1 066 million. As announced by the Ministry of Funds and Regional Policy, the first competitions under the Infrastructure and Environment programme (FENIKS) are expected to be launched in the second quarter of 2023. EUR 24.2 billion has been allocated to the FENIKS 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

Directors' Report on the activities of the Budimex Group and Budimex SA in 2022

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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 European Commission approved Poland's National Recovery Programme in June 2022, but the disbursement of funds is conditional on the achievement of milestones. In line with the programme, Poland will receive EUR 23.9 billion in grants and EUR 11.5 billion in loans. As a result of the low pace of implementation of milestones, the government decided to pre-finance projects through the Polish Development Fund (PFR). The estimated level of support in 2023 under the facility is PLN 15 billion.

In 2022, the Polish construction market experienced many challenges caused by the difficult geopolitical situation. Raw material price shocks related to the outbreak of war in Ukraine and the market's anticipation of the release of EU funds resulted in delays in the public procurement market. Despite the market difficulties and temporary uncertainty, the General Directorate for National Roads and Motorways (GDDKiA) ensured stability in the number of tenders announced and guaranteed effective dialogue on the introduction of new indexation rules. The railway sector proved to be the most sensitive to the aforementioned factors. The main contracting authority (PKP PLK S.A) announced tenders worth more than PLN 13 billion at the beginning of 2022, but the signing of most contracts is delayed due to the absence of confirmed financing for projects. In December 2022, the Council of Ministers adopted a resolution on updating the National Railway Programme until 2023 and securing funds for the most urgent needs related to the increase in project delivery costs.

In 2022, GDDKiA signed 24 contracts for tasks with a total length of 333.4 kilometres and a value of nearly PLN 12.8 billion (compared to 35 contracts in 2021 for roads with a length of 465 kilometres). The value of tenders announced also fell year-on-year to 20 sections with a total length of 226.8 kilometres (versus 27 tenders with a total length of 334 kilometres in 2021). The downward trend follows the outbreak of war in Ukraine and the temporary freeze and postponement of the contract signing schedule in the first half of 2022. For the construction industry, the dialogue with the contracting authority and the response of GDDKiA in the form of increasing the indexation limit from 5 per cent to 10 per cent on old and new contracts was an important factor. The General Directorate for National Roads and Motorways signed indexation annexes for a total of 114 projects implemented by 26 contractors.

In addition, in December 2022, the Council of Ministers adopted the National Road Construction Programme until 2030 (with an outlook until 2033) with a total value of PLN 294.4 billion. Among other things, the programme envisages the construction of 2.5 thousand new expressways. The main objective of the programme is to complete the entire motorway and expressway network in Poland, i.e. the missing sections of S10, S11, S12, S16, S74 and the border section of the A2. The most important projects planned under the National Road Construction Programme until 2030 are: widening of the A4 motorway over a distance of 370 kilometres between Krzyżowa and Tarnów at an estimated cost of PLN 35.5 billion, construction of the Warsaw Metropolitan Area Ring Road within the A50 and S50 roads, with a length of 260 kilometres and cost of PLN 35 billion, and construction of a third lane on the A2 motorway between Konotopa and Łódź. These projects fall within the concept of the Solidarity Transport Hub Poland (CPK).

In 2023, GDDKiA intends to announce tenders for 565 kilometres with a total value of PLN 28.6 billion, including 480 kilometres under the updated PBDK and around 85 kilometres under the Programme for the Construction of 100 Ring Roads. The most important projects planned are the expansion of the S7, S8, S11, S12, S19 and S74 roads. In addition to this, the GDDKiA plans to put nearly 260 kilometres of new roads into service, including 192.9 kilometres of expressways, 49.4 kilometres of motorways and 14.2 kilometres of ring roads along national roads.

The short-term outlook for the development of railway construction in Poland is directly linked to the ability of Poland to receive EU funds. The National Recovery Plan (NRP), which is contingent on the Government meeting the milestones, is the biggest question mark. The value of the funds allocated to rail infrastructure under this programme is around EUR 2.6 billion. In 2022, PKP PLK S.A. announced tenders worth more than PLN 14.2 billion (versus PLN 2.3 billion in 2021), but most of them were not awarded due to delays in securing financing. Four tenders are to apply for CEF2 (Connecting Europe Facility 2) funding. Despite the delays, PKP PLK S.A. is prepared to announce further tasks. In 2023, the planned value of tenders announced will exceed PLN 15 billion. At the level of national funds, the Council of Ministers increased the budget for the Rail Plus programme from PLN 5.6 billion to PLN 11 billion in the first half of 2022. The programme will run until 2028 and includes 34 investment projects, compared to the 17 projects stipulated in the earlier version of the programme. The long-term outlook for the development of railway construction in Poland is favourable, bearing in mind the projects co-financed under the FEnKS programme and the CEF programme, as well as the plans to build 1 800 kilometres of railway lines by 2034 as part of the construction of the Solidarity Transport Hub Poland (CPK).

In 2023, planning and preparatory work progressed on the Solidarity Transport Hub Poland project. In October 2022, the special-purpose vehicle CPK submitted an application to the Regional Directorate for Environmental Protection in Warsaw for an Environmental Decision for the Solidarity Transport Hub Poland (an airport with a railway hub, new roads as well as water, energy and gas infrastructure). The next step after obtaining the environmental decision will be to apply to the province governor for a planning decision. It is expected that the approvals and administrative decisions enabling the first preparatory works to begin will be obtained at the end of 2023.

The planning phase has been completed for the airport section. The design phase is currently underway. A contract has been signed with the designer of the passenger terminal and railway station (the so-called master architect) the Foster + Partners and

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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). The bids received for the second part of the tender for the design of support facilities – the so-called SIE2 – at the airport (including hotels, offices, multi-storey car parks, retail facilities and cargo terminals), which was announced in October, are still being analysed.

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. The contract for the design of the so-called 10 “spokes” can reach a maximum gross value of PLN 8.6 billion over eight years. Work for the 4-km-long High-Speed Rail tunnel in Łódź is the most advanced of all CPK's projects. The company has received planning permission for works to reinforce the foundations of the Lodz House of Culture. This will be the location of the excavation chamber for the TBM automatic excavation shield.

In addition, the CPK is planned as dual-use infrastructure, i.e. as a civilian airport that can be used by NATO support and rapid response forces in the event of a threat of armed conflict. The CPK Master Plan provides for military infrastructure to be built in the northern part of the CPK. The Ministry of Defence, in cooperation with CPK, is responsible for planning and developing this area.

According to the draft of the new “Development Plan for Meeting Current and Future Electricity Demand for 2023-2032” (PRSP), Polskie Sieci Elektroenergetyczne (PSE) plans to allocate around PLN 36 billion to infrastructure projects. The plans include the construction of 600 kilometres of HVDC direct current line, which will enable the transmission of energy from the north of the country, generated from onshore and offshore wind sources, to the south. The transmission grid should also enable connection and power output from a nuclear power plant in the location currently preferred by Polskie Elektrownie Jądrowe. PSE indicates that the projects presented in the draft PRSP are intended to support Poland's commitments to achieve the national target for the share of energy from RES in final energy consumption, the government's plan to build offshore wind farms in the Baltic Sea, the government's plan to build nuclear capacity, additions of new generation units in accordance with the outcome of the power market auctions for 2023-2026.

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 is the merger of Orlen, Lotos and PGNiG. The establishment of a multi-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.

The government adopted a resolution on Energy Policy of Poland until 2040. The document sets out the directions for the development of the energy sector. The strategy is based on 3 pillars: a fair transformation of all regions, a carbon-neutral energy system and good air quality. The act stipulates that the share of renewable energy sources in gross final energy consumption in 2030 should reach 23 per cent, that greenhouse gas emissions should fall by 30 per cent by 2023 compared to 1990, that offshore power plants with a capacity of 5.9 GW will be built by 2030 and that a nuclear power plant will be commissioned in 2033. Last year, the location of Poland's first nuclear power plant to be built at Lubiatowo-Kopalino in Wejherowo County was also announced. By 2033, the first unit of about 1-1.6 GW is expected to be operational, with further units to be deployed every two years. The entire programme includes the construction of six units with a capacity of up to 9 GW. It is also worth noting that the Polish Hydrogen Strategy to 2030 with an Outlook to 2040 was published in December last year. In 2023, these documents may need to be updated in the context of developments beyond Poland's eastern border.

Budimex 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.

1.3 Strategy adopted by the issuer and its capital group

Formally, the Management Board of Budimex 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 2021-2022, a number of measures were taken to expand geographically, in particular into the German, Czech and Slovak markets, which resulted in securing the first contracts. In parallel, opportunities to enter the area of RES projects are being analysed, including projects for photovoltaic and wind farms, both onshore and offshore. On 22 February 2022, Budimex SA finalised the purchase of a company implementing a wind farm project with a capacity of up to 7 MW, thus starting operations in the segment of power generation from renewable energy sources in high-power projects.

Directors' Report on the activities of the Budimex Group and Budimex SA in 2022

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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 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.

Changes in the Group's organisation:

On **22 February 2022**, Budimex SA acquired 100 per cent of shares in Magnolia Energy Sp. z o.o.

On **25 May 2022**, JZE Sp. z o.o., a wholly owned subsidiary of FBSerwis SA, acquired 100 per cent of shares in Zakład Przetwarzania Odpadów Zawisty Sp. z o.o.

On **1 September 2022**, the German registry court registered RailBX GmbH, in which Budimex SA subscribed for 100 per cent of the shares in this company.

On **1 September 2022**, Budimex M Sp. z o.o. was entered in the National Court Register. Budimex SA subscribed for 100 per cent of the shares in this company.

On **5 September 2022**, Budimex P Sp. z o.o. was entered in the National Court Register. Budimex SA subscribed for 100 per cent of the shares in this company.

On **6 September 2022**, Budimex R Sp. z o.o. was entered in the National Court Register. Budimex SA subscribed for 100 per cent of the shares in this company.

On **9 September 2022**, Budimex N Sp. z o.o. was entered in the National Court Register. Budimex SA subscribed for 100 per cent of the shares in this company.

On **20 September 2022**, Budimex O Sp. z o.o. was entered in the National Court Register. Budimex SA subscribed for 100 per cent of the shares in this company.

On **16 November 2022**, the partners adopted a resolution to dissolve Budimex SA Ferrovia Construcción SA s.j. The partnership was removed from the National Court Register on 13 January 2023.

On **24 November 2022**, Budimex SA purchased 100 per cent of shares in Fotowoltaika HIG XIV Sp. z o.o..

In 2022, there were no changes in the management policies at the Budimex Group and at 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 2022	31 December 2021	31 December 2022	31 December 2021
Parent company					
Budimex SA	Warsaw / Poland			full	full
Consolidated					
Mostostal Kraków SA	Cracow / Poland	100.00%	100.00%	full	full
Mostostal Kraków Energetyka Sp. z o.o.	Cracow / Poland	100.00%	100.00%	full	full
Budimex Bau GmbH	Berlin / Germany	100.00%	100.00%	full	full
Budimex Budownictwo Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	full	full
Budimex Kolejnictwo SA	Warsaw / Poland	100.00%	100.00%	full	full
FBSerwis SA	Warsaw / Poland	100.00%	100.00%	full	full
FBSerwis A Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	full	full
FBSerwis B Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	full	full
FBSerwis Karpatia Sp. z o.o.	Tarnów / Poland	100.00%	100.00%	full	full
FBSerwis Wrocław Sp. z o.o.	Bielany Wrocławskie / Poland	100.00%	100.00%	full	full

Directors' Report on the activities of the Budimex Group and Budimex SA in 2022

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Company name	Registered office	Share in the share capital and in the number of votes (%)		Consolidation method	
		31 December 2022	31 December 2021	31 December 2022	31 December 2021
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	non-consolidated
Budimex PPP SA	Warsaw / Poland	100.00%	100.00%	full	non-consolidated
Budimex Slovakia s.r.o.	Bratislava / Slovakia	100.00%	100.00%	full	non-consolidated
Circular Construction SA	Warsaw / Poland	100.00%	100.00%	full	non-consolidated
Magnolia Energy Sp. z o.o.	Warsaw / Poland	100.00%	-	full	-
Zakład Przetwarzania Odpadów Zawisty Sp. z o.o.	Ostrołęka / Poland	100.00%	-	full	-
Fotowoltaika HIG XIV Sp. z o.o.	Cracow / Poland	100.00%	-	full	-
RailBX GmbH	Berlin / Germany	100.00%	-	full	-
Non-consolidated					
Budimex Autostrada A1 SA (w likwidacji)	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. w upadłości likwidacyjnej	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex A Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex C Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex D Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex F Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex H Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex I Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex J Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex K Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
ConVentures Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
ASI 1 Conventures Sp. z o.o. SKA	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex Construction Prague s.r.o.	Prague / Czechia	100.00%	100.00%	non-consolidated	non-consolidated
Budimex M Sp. z o.o.	Warsaw / Poland	100.00%	-	non-consolidated	-
Budimex N Sp. z o.o.	Warsaw / Poland	100.00%	-	non-consolidated	-
Budimex O Sp. z o.o.	Warsaw / Poland	100.00%	-	non-consolidated	-
Budimex P Sp. z o.o.	Warsaw / Poland	100.00%	-	non-consolidated	-
Budimex R Sp. z o.o.	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 2022	31 December 2021	31 December 2022	31 December 2021
Joint operations					
Budimex SA – Cadagua SA III s.c.	Warsaw / Poland	99.90%	99.90%	share in assets, liabilities, revenues and costs	share in assets, liabilities, revenues and costs
Budimex SA – Cadagua SA IV s.c.	Warsaw / Poland	99.90%	99.90%		
Budimex SA – Cadagua SA V s.c.	Warsaw / Poland	99.90%	99.90%		
Budimex SA Ferrovial Agroman SA 2 s.c.	Warsaw / Poland	95.00%	95.00%		
Budimex SA Sygnity SA sp. j.	Warsaw / Poland	67.00%	67.00%		
Budimex SA Tecnicas Reunidas SA Turów s.c.	Warsaw / Poland	50.00%	50.00%		
Budimex SA Ferrovial Construcción SA sp.j.	Warsaw / Poland	50.00%	50.00%		

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

2.2 Operating segments and branches of the Parent Company

As at 31 December 2022, 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.

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 PPP SA

As at 31 December 2022, 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,

Directors' Report on the activities of the Budimex Group and Budimex SA in 2022

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

- Branch in Rzeszów, ul. Słowackiego 24,
- Branch in Poznań, ul. Wołowska 92A,
- Budimex Spółka Akcyjna Zweigniederlassung Köln, Pferdmenigesstr. Cologne, Germany.

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

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

In 2023, before the date of the Directors' Report, the following branches were established by the Parent Company:

- Branch in the Czech Republic, ul. Ceskobrodska 1174, Prague, Czech Republic,
- Branch in Slovakia, ul. Vajnorska 100B, Bratislava, Slovakia.

2.3 Structure of sales revenues

2.3.1 Structure of sales revenues of the Budimex Group

Sales of the construction segment

In 2022, 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 20 per cent in comparison with 2021, recording a noticeably higher increase than in 2021 relative to 2020. A strong increase was recorded in both the infrastructure construction area (+15.5 per cent) and the general construction sector (+24.6 per cent). The high number of building permits issued and constructions launched reported over the last two years has translated into strong sales dynamics in the residential construction segment (+29.4 per cent). At the same time, there was a noticeable increase in non-residential construction activity (+21.8 per cent), boosted by improvements within the construction of commercial, industrial and warehouse buildings.

The increase in sales of the Budimex Group's construction segment in the reviewed period amounted to 7.4 per cent as compared to 2021.

The share of the infrastructural construction segment in total revenue from sales of the Group's construction and assembly services increased from 36.7 per cent in 2021 to 38.8 per cent in 2022. The share of the railway segment in the revenue structure of the Group's construction segment decreased from 27.2 per cent to 24.2 per cent in 2022. The share of the general construction segment increased from 36 per cent in 2021 to 37 per cent in 2022.

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

Type of construction	Sales value			
	2022		2021	
	PLN million	%	PLN million	%
Civil engineering (infrastructure)	3 035	38.8%	2 675	36.7%
Rail buildings and structures	1 889	24.2%	1 980	27.2%
General construction, of which:	2 897	37.0%	2 628	36.1%
- non-residential buildings	2 668	34.1%	2 133	29.3%
- residential buildings	229	2.9%	495	6.8%
Total sales of the construction segment	7 821	100.0%	7 283	100.0%

Geographical structure of the Budimex Group's revenues from sales in 2022

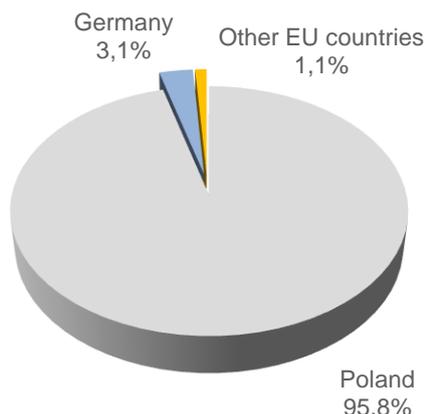
The main markets on which the Budimex Group operates are:

- Poland
- Germany

The geographical structure of revenues from sales (with respect to construction activities) in 2022 was as follows:

Directors' Report on the activities of the Budimex Group and Budimex SA in 2022

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



Major construction contracts concluded by the Budimex Group companies in 2022:

Contract date	Customer	Contract value allocated to the Budimex Group	Type of construction
2022-07-07	DCT Gdańsk Sp. z o.o.	881 415	Design and extension of the DCT Container Terminal in Gdańsk "T3 Project"
2022-03-29	Tramwaje Warszawskie Sp. z o.o.	557 255	Construction of a fast tram route from Kasprzaka street to Wilanów on the following sections: from Puławska street to Św. Bonifacego street and the Stegny loop, and from Św. Bonifacego street to Branickiego street
2022-11-28	Národná Diaľničná Spoločnosť a. s.	519 170	Construction of D1 Bratislava – Triblavina, Extension in Accordance with the FIDIC Contractual Conditions – "Yellow Book"
2022-11-28	General Directorate for National Roads and Motorways Branch in Lublin	486 397	Design and construction of the S17 Piaski – Hrebenne express road, 9. section 9 Tomaszów Lubelski (end of the ring road) – Hrebenne (start of the ring road), with a length of approx. 17.3 km
2022-07-04	General Directorate for National Roads and Motorways Branch in Katowice	397 703	Design and construction of the S1 Kosztowy – Bielsko-Biała road, section I/B – the "Kosztowy II" junction (with junction) – the "Bieruń" junction (without junction)
2022-11-08	Military Research Hospital and Polyclinic, Independent Public Health Care Unit in Kraków	367 509	Construction of a hospital building to accommodate an operating theatre, hospital wards, diagnostic-laboratory and rehabilitation facilities, together with the supply of equipment.
2022-10-14	General Directorate for National Roads and Motorways Branch in Lublin	358 239	Design and construction of S17 Piaski-Hrebenne express road, Section 6: from the Zamość East junction, junction included to the Zamość South junction, junction included, with length of approx. 12.430 km
2022-01-04	Headquarters of the Border Guard	326 248	Construction of the protection of the state border on the section of the Podlasie Border Guard Division, consisting in the design and construction of a physical barrier, hereinafter: barrier" on "section No 1 (section length approx. 54.82 km) and section No 2 (section length approx. 50.73 km) of the Podlasie Border Guard Division.
2022-12-08	State Treasury – the Minister of National Defence, North Atlantic Treaty Organization Investment Department	294 615	Execution of construction and assembly works as part of the extension of the military complex in Siedlce, including construction of new facilities and reconstruction of the existing ones, along with the construction of accompanying infrastructure and land development

Directors' Report on the activities of the Budimex Group and Budimex SA in 2022

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

2022-09-12	Warsaw City Infrastructure Board	226 088	Construction of infrastructure to secure the operation of specialised utilities and construction of building No 52A for training and Brigade Command Post purposes
2022-02-14	State Treasury – the Minister of National Defence, North Atlantic Treaty Organization Investment Department	215 527	Execution of construction and assembly works as part of the extension of the military complex in Siedlce, including, inter alia, the construction of a sports hall building, a warehouse and staff building, a sports field complex, the construction of a military kitchen and canteen, two multi-branch warehouses, workshop building, wash and fuel station for military motor vehicles and accompanying infrastructure, including land development

2.3.2 Structure of sales revenues of Budimex SA

Sales of construction and assembly services

In 2022, sales of construction and assembly services of the Company increased by 6.5 per cent when compared to 2021. Sales of the infrastructural segment increased to PLN 3 019 thousand in 2022 from PLN 2 706 thousand in 2021 (by 11.6 per cent). Sales in the rail area decreased (by 2.5 per cent) from PLN 1 926 million to PLN 1 877 million in 2022. Sales in the general construction segment increased by 8.0 per cent (from PLN 2 365 million in 2021 to PLN 2 555 million in 2022).

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

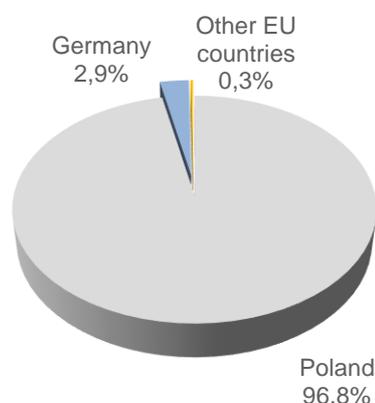
Type of construction	Sales value			
	2022		2021	
	PLN million	%	PLN million	%
Civil engineering (infrastructure)	3 019	40.5%	2 706	38.7%
Rail buildings and structures	1 877	25.2%	1 926	27.5%
General construction, of which:	2 555	34.3%	2 365	33.8%
- non-residential buildings	2 326	31.2%	1 870	26.7%
- residential buildings	229	3.1%	495	7.1%
Total sales of construction and assembly services	7 451	100.0%	6 997	100.0%

Geographical structure of Budimex SA sales revenues in 2022

The main markets on which Budimex SA operates are:

- Poland
- Germany

The geographical structure of revenues from sales in 2022 is as follows:



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

2.4 Construction activities of the Budimex Group on the German market¹

In 2022, workshop services were rendered on the German market. Sales revenues amounted to PLN 239 914 thousand (of which Budimex SA accounted for PLN 215 081 thousand and Mostostal Kraków SA for PLN 24 833 thousand) and were higher by PLN 23 682 thousand, i.e. by 10.9 per cent compared to 2021. An increase was recorded in the case of both prefabrication works (13.1 per cent), and metal-related works (6.9 per cent). The operating profit on the German market amounted to PLN 28 797 thousand in 2022, while in 2021 it was PLN 29 283 thousand. Overall profitability in 2022 stood at 12 per cent, while in 2021 it was 13.5 per cent. Customer structure shows dispersion and only two customers exceeded 10 per cent of total turnover (they accounted for 10.6 and 11.0 per cent of total turnover, respectively).

In 2022, Budimex Bau GmbH, a wholly-owned subsidiary of Budimex SA, continued to develop its activities in the construction sector, in the road infrastructure segment. It completed the contract for the S11 in the Koszalin area in Poland and started the contract for the Reconstruction of a bridge in Liepe (Brandenburg – Germany). Overall, it earned sales revenues of EUR 1 404 000 in 2022. The company was also engaged in intensive acquisitions to win further contracts. In 2022, a further two road infrastructure contracts were won, jointly with Budimex SA (a consortium with a 95 per cent share of Budimex Bau and 5 per cent of Budimex SA): Construction of an Oderberg bridge (net value of EUR 10 225.9 thousand) and Construction of a Wittstock bridge (net value of EUR 3 182.5 thousand). These contracts will commence in 2023. The company closed 2022 with a net loss of EUR 1 441 thousand.

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 2022 was 12.5 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 and Slovak markets.

In 2022, the first construction contract was signed in the Slovak market, worth PLN 519 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. In parallel, opportunities to expand the Group's presence in the RES market are being explored.

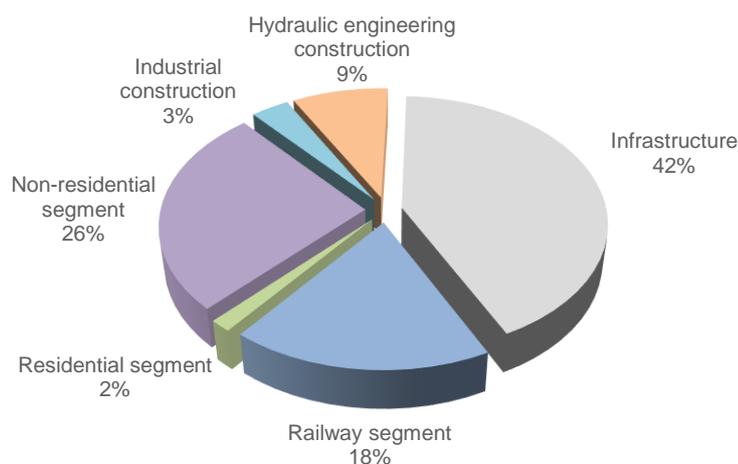
The Group also plans to consistently consolidate its position in the building objects construction segment and win new contracts in the industry and energy segment, rail segment and hydraulic engineering construction segment. Projects implemented on a public-private partnership basis are also in the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

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 2022, the Budimex Group companies signed construction contracts for a total value of PLN 7 879 136 thousand (with annexes). The value of the order portfolio of the Budimex Group as at 31 December 2022 amounted to PLN 13 289 994 thousand and was 2 per cent higher in comparison with the end of 2021.

In 2022, Budimex SA in turn signed construction contracts for a total value of PLN 7 200 731 thousand (with annexes). As at 31 December 2022, the order portfolio amounted to PLN 12 665 068 thousand.

The structure of the Budimex Group's order portfolio as at 31 December 2022 is as follows:



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

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

2.6 Evaluation of investment project feasibility

In 2023, the Budimex Group plans to incur capital expenditure of approx. PLN 155 million, of which approx. PLN 52 million will be incurred by Budimex SA, approx. PLN 12 million – by Budimex Kolejnictwo SA, and PLN 73 million by the FBSerwis Group. 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.

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 2022 (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 prices of construction materials, energy and oil derivatives,
- increases in costs of subcontractor services, limited availability or bankruptcy of subcontractors,
- increases in employment costs and limited availability of qualified employees,
- 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 2022, 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.

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

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 2022 is characterised by selected items disclosed in the Statement of Financial Position and Profit and Loss Account (broken down below together with the 2021 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 2022, compared to 31 December 2021, are presented in the table below:

ASSETS	31.12.2022	31.12.2021	Change	Change %
Non-current assets	1 818 134	1 672 413	145 721	8.71%
Property, plant and equipment	640 734	538 612	102 122	18.96%
Intangible assets	145 094	150 579	(5 485)	(3.64%)
Goodwill of subordinates	178 198	168 508	9 690	5.75%
Investments in equity accounted companies	2 405	2 270	135	5.95%
Investments in equity instruments	7 545	8 670	(1 125)	(12.98%)
Retentions for construction contracts	83 393	87 264	(3 871)	(4.44%)
Trade and other receivables	24 441	27 475	(3 034)	(11.04%)
Concession agreement receivables	46 511	46 638	(127)	(0.27%)
Other financial assets	4 777	24	4 753	100.00%
Deferred tax assets	685 036	642 373	42 663	6.64%
Current assets	5 569 074	5 190 905	378 169	7.29%
Inventories	743 778	428 960	314 818	73.39%
Trade and other receivables	952 515	1 217 862	(265 347)	(21.79%)
Retentions for construction contracts	83 120	97 263	(14 143)	(14.54%)
Valuation of construction contracts	532 484	729 415	(196 931)	(27.00%)
Current tax assets	1 957	114	1 843	1 616.67%
Other financial assets	5 851	1 496	4 355	291.11%
Cash and cash equivalents	3 249 369	2 715 795	533 574	19.65%
TOTAL ASSETS	7 387 208	6 863 318	523 890	7.63%

As at 31 December 2022, consolidated total assets increased by PLN 523 890 thousand compared to 31 December 2021, mainly due to a 8.71 per cent (PLN 145 721 thousand) increase in non-current assets and a 7.29 per cent (PLN 378 169 thousand) increase in current assets.

Non-current assets:

The change in the value of non-current assets as at 31 December 2022 compared to 31 December 2021 was caused mainly by the following:

- an increase in property, plant and equipment by PLN 102 122 thousand, including an increase due to the purchase and lease of property, plant and equipment in the amount of PLN 198 318 thousand, and PLN 43 084 thousand due to the acquisition of control over Magnolia Energy Sp. z o.o., Fotowoltaika HIG XIV Sp. z o.o. and Zakład Przetwarzania Odpadów Zawisty 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 132 817 thousand.
- an increase in the balance of deferred tax assets by PLN 42 663 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 378 169 thousand, which was mainly attributable to an increase in the balance of inventories by PLN 314 818 thousand and was related to increased purchases of materials due to rising prices, and an increase in the balance of cash and cash equivalents by PLN 533 574 thousand, generated from operating activities. Other changes in current assets were related to:

- a decrease in the balance of trade and other receivables by PLN 265 347 thousand mainly due to the receipt by the Group companies of earlier payments for invoices issued for construction work completed,
- a decrease in the valuation of construction contracts balance by PLN 196 931 thousand, which was caused by completion of construction works and invoicing of all work performed on several infrastructure, power and general construction contracts

Directors' Report on the activities of the Budimex Group and Budimex SA in 2022

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

performed by Budimex SA. These contracts presented an increased balance of under-invoicing at the end of 2021 due to ongoing acceptance of works and final settlements with investors.

EQUITY AND LIABILITIES	31.12.2022	31.12.2021	Change	Change %
Shareholders' equity attributable to the shareholders of the Parent Company	1 258 384	1 319 240	(60 856)	(4.61%)
Share capital	145 848	145 848	-	0.0%
Share premium	80 199	80 199	-	0.0%
Other reserves	56 413	53 324	3 089	5.79%
Foreign exchange differences on translation of foreign operations	7 092	6 289	803	12.77%
Retained earnings	968 832	1 033 580	(64 748)	(6.26%)
Equity attributable to non-controlling interests	41 071	41 767	(696)	(1.67%)
Total shareholders' equity	1 299 455	1 361 007	(61 552)	(4.52%)
Liabilities	6 087 753	5 502 311	585 442	10.64%
Non-current liabilities	1 029 009	1 023 841	5 168	0.50%
Loans, borrowings and other external sources of finance	148 706	155 269	(6 563)	(4.23%)
Retentions for construction contracts	229 963	236 588	(6 625)	(2.80%)
Provisions for non-current liabilities and other charges	626 314	616 498	9 816	1.59%
Retirement benefits and similar obligations	10 070	12 580	(2 510)	(19.95%)
Other financial liabilities	12 807	2 076	10 731	516.91%
Deferred tax liabilities	1 149	830	319	38.43%
Current liabilities	5 058 744	4 478 470	580 274	12.96%
Loans, borrowings and other external sources of finance	76 435	83 777	(7 342)	(8.76%)
Trade and other payables	1 516 956	1 396 300	120 656	8.64%
Retentions for construction contracts	218 039	209 962	8 077	3.85%
Provisions for construction contract losses	803 263	514 787	288 476	56.04%
Valuation of construction contracts	1 493 517	1 588 487	(94 970)	(5.98%)
Deferred revenue	578 658	291 860	286 798	98.27%
Provisions for current liabilities and other charges	337 818	302 474	35 344	11.68%
Current tax liability	29 245	67 658	(38 413)	(56.78%)
Retirement benefits and similar obligations	1 578	1 846	(268)	(14.52%)
Other financial liabilities	3 235	21 319	(18 084)	(84.83%)
TOTAL EQUITY AND LIABILITIES	7 387 208	6 863 318	523 890	7.63%

Equity and liabilities:

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

- a decrease in "retained earnings" by PLN 64 748 thousand as a result of the generation of a net profit for 12 months of 2022 and the payment of dividends for 2021,
- an increase in non-current liabilities by PLN 5 168 thousand, mainly due to:
 - an increase in the balance of other financial liabilities by PLN 10 731 thousand, which is primarily attributable to the deferred payment liability for the purchase of shares in Magnolia Energy Sp z o.o. and Zakład Przetwarzania Odpadów Zawisty Sp. z o.o.,
 - an increase in the balance of provisions for non-current liabilities and other charges by PLN 9 816 thousand, which mainly relates to the recognition of an additional provision for warranty repairs,
 - a decrease in the balance of retentions for construction contracts by PLN 6 625 thousand,
- an increase in current liabilities by PLN 580 274 thousand, of which the greatest balance movements related to the following:
 - an increase in the balance of deferred revenue by PLN 286 798 thousand, mainly due to the receipt of prepayments for construction and installation work in respect of the performance of contracts,
 - an increase in the balance of trade and other payables by PLN 120 656 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 provisions for losses on construction contracts by an amount of PLN 288 476 thousand, due to newly identified risks in the budgets of several infrastructure contracts at Budimex SA, currently showing final losses and an increase in the costs of materials and labour recorded from the time of bidding to the balance sheet date.

Directors' Report on the activities of the Budimex Group and Budimex SA in 2022

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

Consolidated Profit and Loss Account of the Budimex Group

CONSOLIDATED PROFIT AND LOSS ACCOUNT	01.01- 31.12.2022	01.01- 31.12.2021	Change	Change %
Net sales of finished goods and services, goods for resale and raw materials	8 619 054	7 911 192	707 862	8.95%
Cost of finished goods, services, goods for resale and raw materials sold	(7 746 611)	(7 077 395)	(669 216)	9.46%
Gross profit on sales	872 443	833 797	38 646	4.63%
Selling expenses	(13 530)	(11 733)	(1 797)	15.32%
Administrative expenses	(317 153)	(269 011)	(48 142)	17.90%
Other operating income	65 235	85 043	(19 808)	(23.29%)
Other operating expenses	(44 568)	(51 011)	6 443	(12.63%)
Operating profit	562 427	587 085	(24 658)	(4.20%)
Finance income	131 961	13 583	118 378	871.52%
Finance costs	(45 589)	(46 239)	650	(1.41%)
Shares in net profits / (losses) of equity accounted subordinates	135	67	68	101.49%
Gross profit	648 934	554 496	94 438	17.03%
Income tax	(100 805)	(88 550)	(12 255)	13.84%
Net profit (loss) on continuing activities	548 129	465 946	82 183	17.64%
Net profit (loss) on discontinued activities	-	520 508	(520 508)	(100.00%)
Net profit for the period	548 129	986 454	(438 325)	(44.43%)
<i>of which:</i>				
- attributable to the shareholders of the parent company	534 443	971 603	(437 160)	(44.99%)
on continuing operations	534 443	451 095	83 348	18.48%
on discontinued operations	-	520 508	(520 508)	(100.00%)
- attributable to non-controlling interests	13 686	14 851	(1 165)	(7.84%)
on continuing operations	13 686	14 851	(1 165)	(7.84%)
on discontinued operations	-	-	-	0.00%

In 2022, the Budimex Group earned sales revenues of PLN 8 619 054 thousand, which represents a 8.95 per cent increase compared to the revenue earned in 2021.

In 2022, construction and assembly output in Poland expressed in current prices increased by 19.9 per cent year-on-year (increase by 6.2 per cent in constant prices), while sales of the Budimex Group's construction segment on the domestic market increased by 8.0 per cent in comparable periods.

In 2022, gross profit on sales stood at PLN 872 443 thousand, while in the previous year it reached PLN 833 797 thousand. The gross sales profitability in 2022 was 10.1 per cent and in 2021 this figure was 10.5 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 2022, the balance of the provision for contract losses amounted to PLN 803 263 thousand. In 2022, the balance of the provision for contract losses was increased by PLN 288 476 thousand.

The Budimex Group companies are required to provide guarantees for their construction services. As at 31 December 2022, the balance of provisions for warranty repairs was PLN 635 970 thousand. In the 12-month period ended 31 December 2022, the balance of provisions for warranty repairs increased by PLN 18 361 thousand.

Compared to the previous year, selling expenses increased in the twelve-month period ended 31 December 2022 by PLN 1 797 thousand, while administrative expenses were PLN 48 142 thousand higher than the expenses incurred in 2021. The share of the sum total of selling and administrative expenses in total sales revenue increased from 3.6 per cent in 2021 to 3.8 per cent in 2022.

Other operating income in 2022 amounted to PLN 65 235 thousand and other operating expenses – to PLN 44 568 thousand. Detailed analytics of other operating income and expenses are presented in Note 33 to the consolidated financial statements.

In 2022, the Group posted an operating profit of PLN 562 427 thousand, representing 6.5 per cent of total sales revenues. In the previous year, the Group reported an operating profit of PLN 587 085 thousand, representing 7.4 per cent of total sales revenues.

In the 12-month period ended 31 December 2022, the Group reported profit on financing activities in the amount of PLN 86 372 thousand, while in 2021 – loss of PLN 32 656 thousand. Detailed analytics of finance income and costs are presented in Note 34 to the consolidated financial statements.

Directors' Report on the activities of the Budimex Group and Budimex SA in 2022

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

In 2022, the Group reported a gross profit of PLN 648 934 thousand, while in the previous year a gross profit of PLN 554 496 thousand.

Income tax expense for 2022 was PLN 100 805 thousand, of which:

- current tax – PLN 145 506 thousand (including prior years' corrections of PLN -38 048 thousand),
- deferred tax – PLN (44 701) thousand.

As at 31 December 2022, the Group recognised deferred tax assets in the amount of PLN 685 036 thousand and deferred tax liabilities in the amount of PLN 1 149 thousand, while as at 31 December 2021 the Group recorded deferred tax assets of PLN 642 373 thousand and deferred tax liabilities of PLN 830 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 2022 was PLN 534 443 thousand, whereas for 2021 it amounted to PLN 451 095 thousand, representing an increase by 18.5 per cent.

In 2021, the Budimex Group recorded a profit on discontinued operations of PLN 520 508 thousand in connection with the sale of Budimex Nieruchomości and its property development business.

Net profit attributable to non-controlling interest for 2022 amounted to PLN 13 686 thousand. In the previous year, net profit attributable to non-controlling interest stood at PLN 14 851 thousand.

3.1.2 Key economic and financial data of Budimex SA

The financial situation of Budimex SA in 2022 is characterised by selected items disclosed in the Statement of Financial Position and Profit and Loss Account (as below, together with the 2021 comparative data).

Statement of financial position of Budimex SA

The main items of the Company's Statement of Financial Position as at 31 December 2022, compared to 31 December 2021, are presented in the table below:

ASSETS	31.12.2022	31.12.2021	Change	Change %
Non-current assets	1 559 970	1 383 624	176 346	12.75%
Property, plant and equipment	192 563	193 109	(546)	(0.28%)
Intangible assets	34 459	36 949	(2 490)	(6.74%)
Investments in subsidiaries	485 513	375 648	109 865	29.25%
Investments in associates	191	191	-	0.00%
Investments in other entities	3 266	3 266	-	0.00%
Other financial assets	83 740	37 713	46 027	122.05%
Trade and other receivables	24 313	27 462	(3 149)	(11.47%)
Retentions for construction contracts	80 269	82 482	(2 213)	(2.68%)
Deferred tax assets	655 656	626 804	28 852	4.60%
Current assets	4 882 969	4 604 684	278 285	6.04%
Inventories	682 011	403 525	278 486	69.01%
Trade and other receivables	801 590	1 029 354	(227 764)	(22.13%)
Retentions for construction contracts	77 228	89 158	(11 930)	(13.38%)
Valuation of construction contracts	485 840	699 701	(213 861)	(30.56%)
Other financial assets	5 475	3 014	2 461	81.65%
Cash and cash equivalents	2 830 825	2 379 932	450 893	18.95%
TOTAL ASSETS	6 442 939	5 988 308	454 631	7.59%

As at 31 December 2022, the total assets increased by PLN 454 631 thousand as compared to 31 December 2021, and amounted to PLN 6 442 939 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:

- an increase in investments in subsidiaries by PLN 109 865 thousand, mainly as a result of the acquisition of Magnolia Energy Sp. z o.o. and Fotowoltaika HIG XIV Sp. z o.o., the contribution of capital to the newly established RailBX GmbH and capital increases in Budimex Kolejnictwo SA, Budimex Slovakia s.r.o. and Budimex Bau GmbH, among other companies,
- an increase in the balance of deferred tax assets by PLN 28 852 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 a loan granted to Magnolia Energy Sp. z o.o. in the amount of PLN 46 570 thousand.

Directors' Report on the activities of the Budimex Group and Budimex SA in 2022

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

Current assets:

In the same period, the value of current assets increased by PLN 278 285 thousand, mainly as a result of the following events:

- an increase in the balance of cash by PLN 450 893 thousand, generated primarily from operating activities,
- an increase in the balance of inventories by PLN 278 486 thousand as a result of the accumulation of materials on contracts due to their rising prices,
- a decrease in the valuation of long-term construction contracts balance by PLN 213 861 thousand, which was largely caused by completion of construction works and invoicing of all work performed on several infrastructure, power and general construction contracts. These contracts presented an increased balance of under - invoicing at the end of 2021 due to ongoing acceptance of works and final settlements with investors,
- a decrease in the balance of trade and other receivables by PLN 227 764 thousand, mainly as a result of a decrease in trade receivables by PLN 238 325 thousand resulting from the receipt of earlier payments for invoices for construction work completed.

EQUITY AND LIABILITIES	31.12.2022	31.12.2021	Change	Change %
Share capital	145 848	145 848	-	0.00%
Share premium	80 199	80 199	-	0.00%
Other reserves	57 672	55 053	2 619	4.76%
Foreign exchange differences on translation of foreign operations	6 323	5 857	466	7.96%
Retained earnings / (accumulated losses)	621 251	760 903	(139 652)	(18.35%)
Total shareholders' equity	911 293	1 047 860	(136 567)	(13.03%)
Liabilities	5 531 646	4 940 448	591 198	11.97%
Non-current liabilities	863 633	856 635	6 998	0.82%
Loans, borrowings and other external sources of finance	74 274	71 278	2 996	4.20%
Retentions for construction contracts	221 109	227 318	(6 209)	(2.73%)
Provisions for non-current liabilities and other charges	554 065	546 794	7 271	1.33%
Retirement benefits and similar obligations	7 564	9 624	(2 060)	(21.40%)
Other financial liabilities	6 621	1 621	5 000	308.45%
Current liabilities	4 668 013	4 083 813	584 200	14.31%
Loans, borrowings and other external sources of finance	49 328	54 414	(5 086)	(9.35%)
Trade and other payables	1 289 391	1 157 619	131 772	11.38%
Retentions for construction contracts	205 273	200 047	5 226	2.61%
Provisions for construction contract losses	791 275	510 843	280 432	54.90%
Valuation of construction contracts	1 461 856	1 563 706	(101 850)	(6.51%)
Deferred revenue	551 224	279 524	271 700	97.20%
Provisions for current liabilities and other charges	290 009	262 385	27 624	10.53%
Current tax liability	25 391	51 700	(26 309)	(50.89%)
Retirement benefits and similar obligations	1 239	1 407	(168)	(11.94%)
Other financial liabilities	3 027	2 168	859	39.62%
TOTAL EQUITY AND LIABILITIES	6 442 939	5 988 308	454 631	7.59%

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 584 200 thousand, mainly due to:
 - an increase in the balance of provision for losses on construction contracts by an amount of PLN 280 432 thousand, due to newly identified risks in the budgets of several infrastructure contracts, currently showing final losses and other contract risks, and an increase in the costs of materials and labour recorded from the time of bidding to the balance sheet date,
 - an increase in the balance of deferred revenue by PLN 271 700 thousand, mainly due to the receipt of prepayments for performance of contracts,
 - an increase in the balance of trade and other payables by PLN 131 772 thousand, which was mainly due to the seasonality of 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,
 - a decrease in the balance of current tax liabilities by PLN 26 309 thousand, as a result of income tax corrections recognised for previous years.

Directors' Report on the activities of the Budimex Group and Budimex SA in 2022

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

- an increase the balance in non-current liabilities by PLN 6 998 thousand, mainly due to:
 - an increase in the balance of provisions for non-current liabilities and other charges by PLN 7 271 thousand, mainly due to an increase in provisions for warranty repairs,
 - an increase in loans, borrowings and other external sources of finance by PLN 2 996 thousand, mainly due to signing new lease contracts,
 - a decrease in the balance of retentions for construction contracts by PLN 6 209 thousand, resulting from the regrouping of retentions to short-term ones as a result of the maturity analysis at the balance sheet date,
 - an increase in the balance of other financial liabilities mainly due to the recognition of deferred payment liability for shares in Magnolia Energy Sp z o.o. in the amount of PLN 6 405 thousand.

Profit and Loss Account of Budimex SA

PROFIT AND LOSS ACCOUNT	01.01-31.12.2022	01.01-31.12.2021	Change	Change %
Net sales of finished goods and services, goods for resale and raw materials	7 507 937	7 041 673	466 264	6.62%
Cost of finished goods, services, goods for resale and raw materials sold	(6 789 565)	(6 437 199)	(352 366)	5.47%
Gross profit on sales	718 372	604 474	113 898	18.84%
Selling expenses	(13 396)	(12 012)	(1 384)	11.52%
Administrative expenses	(257 837)	(228 123)	(29 714)	13.03%
Other operating income	52 835	74 082	(21 247)	(28.68%)
Other operating expenses	(40 347)	(19 828)	(20 519)	103.48%
Operating profit	459 627	418 593	41 034	9.80%
Finance income	128 279	764 824	(636 545)	(83.23%)
Finance costs	(43 964)	(39 604)	(4 360)	11.01%
Gross profit	543 942	1 143 813	(599 871)	(52.44%)
Income tax	(84 403)	(164 180)	79 777	(48.59%)
Net profit for the period	459 539	979 633	(520 094)	(53.09%)

Within the twelve-month period of 2022, Budimex SA generated revenues from sales in the amount of PLN 7 507 937 thousand, while in 2021 they amounted to PLN 7 041 673 thousand, i.e. a 6.62 per cent increase.

In 2022, gross profit on sales stood at PLN 718 372 thousand, while in the previous year it reached PLN 604 474 thousand. The gross sales profitability ratio for 2022 was therefore 9.6 per cent and was higher than in 2021, when it reached 8.6 per cent.

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 2021, the balance of the provision for contract losses amounted to PLN 510 843 thousand. In the twelve-month period ended 31 December 2022, the balance of the provision for contract losses was increased by PLN 280 432 thousand.

The selling expenses in 2022 increased by PLN 1 384 thousand year-on-year, while the general administrative expenses grew by PLN 29 714 thousand. The share of the sum total of selling and administrative expenses in total sales revenue increased from 3.4 per cent in 2021 to 3.6 per cent in the reporting year.

Other operating income in the twelve-month period of 2022 amounted to PLN 52 835 thousand and other operating expenses – to PLN 40 347 thousand. Detailed analytics of other operating income and expenses are presented in note 31 to the financial statements.

In the twelve-month period of 2022, the Company reported profit on financing activities of PLN 84 315 thousand. Detailed analytics of finance income and costs are presented in note 32 to the financial statements.

In 2021, Budimex SA sold 100% of the shares in Budimex Nieruchomości Sp. z o.o. and made a profit of PLN 568 291 thousand, recognised in finance income.

In 2022, the Company earned a gross profit of PLN 543 942 thousand. The comparable gross profit for 2021, excluding the result from the sale of Budimex Nieruchomości Sp. z o.o., amounted to PLN 575 522 thousand and was higher by 5.8 per cent than in the current year.

Income tax for the 12 months of 2022 amounted to PLN 84 403 thousand, including:

- current tax – PLN 113 870 thousand (including prior years' corrections of PLN -40 569 thousand),
- deferred tax – PLN (29 467) thousand.

In 2022, Budimex SA earned a net profit in the amount of PLN 459 539 thousand.

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

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 2022 with cash in hand and cash at bank amounting to a total of PLN 2 715 795 thousand. For the purpose of the Statement of Cash Flows, this amount was reduced by the amount of restricted cash of PLN 30 910 thousand. Net cash flow for 2022 was positive and amounted to PLN 537 159 thousand. As at 31 December 2022, the Group's reported cash balance was PLN 3 249 369 thousand, of which restricted cash was PLN 27 959 thousand.

In 2022, the balance of cash from operating activities increased by PLN 1 427 766 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 169 691 thousand, which was mainly the result of the acquisition of intangible assets and property, plant and equipment, as well as the acquisition of shares in related entities.

Cash flow from financing activities for 2022 showed a negative balance, which amounted to PLN 720 916 thousand and resulted mainly from the 2021 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 2022 amounted to PLN 2 379 932 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 22 349 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 2022, net cash flow was positive and amounted to PLN 465 246 thousand. As at 31 December 2022, the Company reported a cash balance of PLN 2 830 825 thousand, including restricted cash of PLN 9 010 thousand.

In 2022, the balance of cash from operating activities increased by PLN 1 285 154 thousand.

The Company's balance of cash from investing activities decreased by PLN 152 824 thousand, which was mainly driven by capital increases in, among others, Budimex Kolejnictwo SA and Budimex Bau GmbH, capital contributions to the newly established RailBX GmbH, the acquisition of Magnolia Energy Sp. z o.o., as well as the granting of loans to Group companies, including Magnolia Energy Sp. z o.o. and Budimex Kolejnictwo SA.

Cash flow from financing activities for 2022 showed a negative balance of PLN 667 084 thousand. The expenses were connected with payment of the dividend made by the Company in the amount of PLN 599 191 thousand and repayment of lease liabilities.

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 2022 amounted to PLN 3 249 369 thousand and was PLN 533 574 thousand higher than as at 31 December 2021. The most important factors affecting this change in financial resources of the Budimex Group during 2022 include the following events:

- continued 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 contract prepayments,
- a significant increase in finance income from interest on cash as a result of rising interest rates,
- an increase in the cash balance of the FBSerwis Group companies, primarily due to continued high profitability in the waste collection and management segment,
- dividend paid by Budimex SA in the amount of PLN 599 199 thousand, which took place in June 2022.

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 2022 amounted to PLN 225 141 thousand, including lease liabilities recognised in accordance with IFRS 16, amounting to PLN 131 482 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 93 659 thousand and was therefore PLN 36 890 thousand lower than as at 31 December 2021 (see table below). The Group's debt is mainly composed of:

Directors' Report on the activities of the Budimex Group and Budimex SA in 2022

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

- the debt of Budimex SA, Budimex Kolejnictwo SA, Mostostal Kraków SA and the FB Serwis Group companies under finance leases (concluded for the purpose of financing the purchase of property, plant and equipment),
- 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 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 2022, Budimex SA did not draw on credit lines to which it has access.

Persisting high interest rates in Poland in 2022 did not have a significant negative impact on the Budimex Group's financial performance through rising interest expenses due to:

- reduction of the Budimex Group's external debt in recent years to a relatively low level of PLN 93 659 thousand (table below),
- a fixed interest rate on the aforementioned 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:	31.12.2022	31.12.2021	31.12.2020
- non-current	61 743	89 797	184 902
- non-current (lease liabilities – IFRS 16):	86 963	65 472	76 761
- current	31 916	40 752	69 590
- current (lease liabilities – IFRS 16):	44 519	43 025	119 477
Total	225 141	239 046	450 730

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

Ratio	31.12.2022	31.12.2021	31.12.2020
Equity to assets ratio: <i>(shareholders' equity attributable to the shareholders of the Parent Company) / (total assets)</i>	0.17	0.19	0.15
Equity to non-current assets ratio: <i>(shareholders' equity attributable to the shareholders of the Parent Company) / (total non-current assets)</i>	0.69	0.79	0.75

Ratio	31.12.2022	31.12.2021	31.12.2020
Debt ratio: <i>(total assets – shareholders' equity attributable to the shareholders of the Parent Company) / (total assets)</i>	0.83	0.81	0.85
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>	4.87	4.20	5.49

At the end of 2022, compared to the end of 2021, the Group's financing structure ratios approached the levels observed in earlier reporting periods preceding the sale of shares in Budimex Nieruchomości Sp. z o.o.. Thus, equity to assets ratios decreased and debt ratios increased.

The liquidity ratios (current and quick ratios) at the end of 2022 have decreased compared to previous years. The decrease in liquidity ratios was mainly attributable to: an increase in inventories – primarily related to construction activities (negative impact on the quick ratio) and an increase in the Group's current liabilities (negative impact on both liquidity ratios).

Ratio	31.12.2022	31.12.2021	31.12.2020
Current ratio <i>(current assets) / (current liabilities)</i>	1.10	1.16	1.15
Quick ratio <i>(current assets – inventory) / (current liabilities)</i>	0.95	1.06	0.76

Directors' Report on the activities of the Budimex Group and Budimex SA in 2022

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

Owing to the current 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 2023.

3.3.2 Managing of finance at Budimex SA

The balance of cash and liquid deposits of Budimex SA as at 31 December 2022 amounted to PLN 2 830 825 thousand and was PLN 450 893 thousand higher than as at 31 December 2021. The most important factors contributing to this change in financial resources of Budimex SA during 2022 include the following events:

- continued high profitability of Budimex SA's activities,
- favourable changes in the components of net working capital in the construction segment, 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 599 199 thousand, which took place in June 2022.

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 2022 amounted to PLN 123 602 thousand, including lease liabilities recognised in accordance with IFRS 16, amounting to PLN 91 669 thousand. The amount of Budimex SA's external debt on account of bank loans, borrowings and leases, i.e. without lease liabilities reported in accordance with IFRS 16, was PLN 31 933 thousand and was therefore PLN 24 842 thousand lower than as at 31 December 2021 and PLN 68 358 thousand lower than as at 31 December 2020 (see table below). The amount of financial debt of Budimex SA comprises only liabilities under lease agreements in respect of machines and equipment required to carry out road construction projects.² 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:	31.12.2022	31.12.2021	31.12.2020
- non-current	13 919	32 631	62 855
- non-current (lease liabilities – IFRS 16):	60 355	38 647	45 336
- current	18 014	24 144	37 436
- current (lease liabilities – IFRS 16):	31 314	30 270	24 830
Total	123 602	125 692	170 457

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

Ratio	31.12.2022	31.12.2021	31.12.2020
Equity to assets ratio: <i>(shareholders' equity) / (total assets)</i>	0.14	0.17	0.16
Equity to non-current assets ratio: <i>(shareholders' equity) / (non-current assets)</i>	0.58	0.76	0.45
Debt ratio: <i>(total assets – shareholders' equity) / (total assets)</i>	0.86	0.83	0.84
Debt to equity ratio: <i>(total assets – shareholders' equity) / (shareholders' equity)</i>	6.07	4.71	5.22

At the end of 2022, the sustainability of the financing structure, as described above, decreased relative to the exceptional year 2021 (non-recurring gain on the sale of shares in Budimex Nieruchomości Sp. z o.o.), but remained at levels similar to those of 2020. These ratios are most significantly affected by the dividend policy (annual payments close to the amount of net profits earned by the Company) which limits the rate of increase in equity. At the same time, however, along with the increase in the Company's sales revenue, there has been a steady year-on-year increase in total assets. Liquidity ratios have also decreased in 2022 compared to 2021. However, they remained at levels significantly higher than those at the end of 2020 (table below).

Ratio	31.12.2022	31.12.2021	31.12.2020
Current ratio <i>(current assets) / (current liabilities)</i>	1.05	1.13	0.95
Quick ratio <i>(current assets – inventory) / (current liabilities)</i>	0.90	1.03	0.83

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 2023.

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

Directors' Report on the activities of the Budimex Group and Budimex SA in 2022

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

3.4 Contingent liabilities and contingent receivables of the Budimex Group

Guarantees, sureties, and other contingent liabilities and receivables are described in Note 45 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 2022:

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	Mostostal Kraków SA	199 969	2030-10-24	in exchange for payments	Subsidiary
Budimex SA	Mostostal Kraków Energetyka Sp. z o.o.	141	2023-11-21	in exchange for payments	Subsidiary
Budimex SA	Budimex Kolejnictwo SA	8 069	2027-12-31	in exchange for payments	Subsidiary
Budimex SA	Budimex Budownictwo Sp. z o.o.	183 757*	2029-10-15	free of charge	Subsidiary
Budimex SA	FBSerwis SA	14 665	2030-07-12	in exchange for payments	Subsidiary
Budimex SA	Magnolia Energy Sp. z o.o.	33 794	2023-03-31	in exchange for payments	Subsidiary
Budimex SA	Budimex Bau GmbH	3 972	indefinite period	free of charge	Subsidiary
Budimex SA	RailBX GmbH	46	2026-11-30	in exchange for payments	Subsidiary
TOTAL		444 413			

* 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 2022.

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 2022, the Budimex Group (including Budimex SA) was a party to the following General Insurance Agreements:

- General Insurance Coverage for All Construction & Assembly Risks

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.

Directors' Report on the activities of the Budimex Group and Budimex SA in 2022

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

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 2022 to 26 November 2023. 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 2022, an extension was signed to the agreement with Allianz Polska 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 2022 to 22 July 2023. The insurance coverage covers Members of Management and Supervisory Boards and authorised commercial representatives of the Budimex Group companies and of their subsidiaries. This insurance constitutes a part of the global insurance programme for the Ferrovial Group.

4.2 Cooperation agreements binding in 2022

Cooperation agreements concluded in 2022:

	Supplier	Subject of the Agreement	Annual value	Agreement date
1	Rafineria Gdańska Sp. z o.o.	road asphalts	98 369	2022-03-11
2	3W SA	general construction materials (bricks, blocks, plaster, etc.)	8 504	2022-05-02
3	Zbrostal Sp. z o.o. Sp.k.	prefabricated steel reinforcement	5 816	2022-04-01
4	Energa-Obrót SA	electricity	3 696	2022-12-19
5	ARTBUD TD Sp. z o.o. Sp.k	general construction materials (mineral wool, polystyrene)	3 093	2022-12-15
6	PGE Obrót SA	electricity	2 448	2022-03-23
7	KOWALCZYK – Materiały Budowlane Janusz Kowalczyk	general construction materials (concrete products, ceramics)	2 189	2022-08-31
8	Dynapac Sp. z o.o.	maintenance services, current and periodic repairs, inspections of construction machinery	1 200	2022-04-01
9	ATP Hydroizolacje Tomasz Przyborowski	execution of the specified construction and assembly works	1 122	2022-04-01
10	Rettenmaier Polska Sp. z o.o.	cellulose fibres and pellets	1 029	2022-04-01

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 2022 and effective in 2022:

	Supplier	Subject of the Agreement	Annual value	Agreement date
	Rafineria Gdańska Sp. z o.o.	road asphalts	98 369	2021-03-31 2019-05-13
	ArcelorMittal Distribution Solutions Poland Sp. z o.o	concrete reinforcement, reinforcing steel	85 055	2011-05-24
		steel products		2013-06-25
	Cemex Polska Sp. z o.o.	ready-mixed concrete	69 707	2011-12-06
		aggregates		2009-04-01
		cement		2006-11-23
	Confirme Sp. z o.o.	prefabricated reinforced steel	67 270	2020-01-15
	Bowim SA	concrete reinforcement, reinforced steel	47 626	2009-07-14 2012-06-10
	Anna Sp. z o.o.	concrete reinforcement, reinforced steel	39 695	2014-06-02
	Lafarge Cement SA	ready-mixed concrete	30 635	2016-04-15
	Stalprodukt SA	road and bridge barriers	29 354	2007-06-18 2010-03-01
	thyssenkrupp Materials Poland SA	reinforced steel	26 973	2013-02-04
		metallurgical products		2006-03-08
		welding consumables		2005-12-12
	Konsorcjum Stali SA	prefabricated reinforced steel	24 548	2012-03-01

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

Directors' Report on the activities of the Budimex Group and Budimex SA in 2022

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

4.3 Related party transactions

Detailed information on transactions with related parties was presented in Note 40 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 2022, Budimex SA had the following loans, borrowings and lease agreements:

Lender	Title of liability	Contract date 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	-	-	2 373	fixed, as provided in the agreement	31.12.2026
Pekao Leasing Sp. z o.o.	Lease	-	-	29 560	WIBOR 1M + margin	31.10.2025

As at 31 December 2022, 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	-	-	173	fixed, as provided in the agreement	31.12.2026
Millennium Leasing Sp. z o.o.	Lease	-	-	176	WIBOR 1M + margin	31.01.2023
Budimex Parking Wrocław Sp. z o.o.						
Bank PKO BP SA	Concession financing loan	30.04.2012	-	24 641	WIBOR 3M + margin	31.12.2031
Fundusz Inwestycji Samorządowych Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych	loan	29.10.2018	-	1 650	WIBOR 3M + margin	29.10.2038
Konica Minolta Business Solutions Sp. z o.o.	Lease	-	-	2	fixed, as provided in the agreement	31.12.2026
Budimex Kolejnictwo SA						
Pekao Leasing Sp. z o.o.	Lease	-	-	2 353	WIBOR 1M + margin	31.07.2025
Millennium Leasing Sp. z o.o.	Lease	-	-	5 715	WIBOR 1M + margin	31.12.2027

Directors' Report on the activities of the Budimex Group and Budimex SA in 2022

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

Konica Minolta Business Solutions Sp. z o.o.	Lease	-	-	14	fixed, as provided in the agreement	31.12.2026
FBSEWIS KAMIENSK Sp. z o. o.						
NFOŚIGW	Co-financing in the form of a loan	-	-	9 980	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	31.10.2023
Bank PEKAO SA	Overdraft facility	31.03.2022	20 000	-	WIBOR 1M + margin	31.03.2024
Santander Leasing SA	Lease	-	-	2 549	WIBOR 1M + margin	30.11.2024
Millennium Leasing Sp. z o.o.	Lease	-	-	2 032	WIBOR 1M + margin	31.01.2030
FBSEWIS WROCLAW Sp. z o. o.						
Santander Leasing SA	Lease	-	-	4 825	WIBOR 1M + margin	30.06.2025
mLeasing Sp. z o.o.	Lease	-	-	143	WIBOR 1M + margin	15.01.2023
Millennium Leasing Sp. z o.o.	Lease	-	-	1 503	WIBOR 1M + margin	28.02.2029
Pekao Leasing Sp. z o. o.	Lease	-	-	239	WIBOR 1M + margin	12.07.2025
FBSEWIS KARPATIA Sp. z o. o.						
Santander Leasing SA	Lease	-	-	2 423	WIBOR 1M + margin	31.10.2025
Europejski Fundusz Leasingowy SA	Lease	-	-	47	WIBOR 1M + margin	18.03.2023
mLeasing Sp. z o.o.	Lease	-	-	581	WIBOR 1M + margin	28.12.2025
Millennium Leasing Sp. z o.o.	Lease	-	-	2 530	WIBOR 1M + margin	30.04.2026
ZPO ZAWSTY Sp. z o. o.						
Polski Fundusz Rozwoju	Subsidy	-	-	99	0%	25.08.2023
Fotowoltaika HIG XIV Sp. z o.o.						
Columbus Energy S.A.	Loan	27.10.2021	-	51	WIBOR 6M + margin	30.06.2023

4.5 Major capital deposits and equity investments in 2022

In 2022, neither the Parent Company nor other Group companies made any equity investments in entities not belonging to 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 15.1 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 2022, Members of the Management Board of Budimex SA held the following numbers of shares:

- Artur Popko – 2 031 shares
- Marcin Węglowski – 2 830 shares

As at 31 December 2022, the Members of the Supervisory Board of Budimex SA held the following numbers of shares:

- Marek Michałowski – 4 000 shares

5.2 Acquisition of own shares

In 2022, 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.

5.5 Information about charity and sponsorship activities

For many years, Budimex SA has implemented projects designed to support its sustainable development. In 2021, the Company announced the "CSR Strategy for 2021–2023", which refers to the UN Sustainable Development Goals and is divided into six key areas of responsibility:

- ensuring the highest occupational health and safety standards,
- reducing the negative impact on the environment and climate,
- caring for employee development and work satisfaction,
- caring for the highest quality and building innovation culture in the company,
- prevention of abuse,
- dialogue with and support for local communities.

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.

Directors' Report on the activities of the Budimex Group and Budimex SA in 2022

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

One of the more sensitive projects implemented by Budimex SA in 2022 was the Barrier on the Polish-Belarusian border. In connection with the identification of risks related to its implementation, Budimex SA has identified all stakeholders in the course of performing this strategic project for Poland. The company performs stakeholder mapping on the most key and also media-sensitive contracts which facilitates cooperation on the project with the local community.

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 "Parent Zone" (Strefa Rodzica), 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 2022, Budimex opened further Parent Zones in hospitals in Pisz and Bydgoszcz, where 14 volunteers worked for 300 hours, and both Zones together were used by around 1 000 beneficiaries.

In 2022, Budimex SA has completed the "Home from the Heart 2" project. The volunteer project is aimed at families with many children in a difficult financial situation. Budimex SA volunteers used their skills to support a family with many children in a difficult material situation for the second time. This time, the company helped an 8-person family from Brusy in the Pomorskie Province, which lacked only a finished house for a peaceful, safe and happy life. Budimex, together with the partners of the project, delivered a beautiful, functional and energy-efficient house, where the family can now pursue their dreams.

Every year, the company launches an employee volunteering programme where employees can submit ideas and carry out volunteer projects. The "Grant for Volunteering" (Grant na wolontariat) 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 2022, under the Grant for Volunteering programme, Budimex Group volunteers supported the renovation of a local charity's roof and improved the social conditions at a school for children with autism. As part of the special edition of the Grant for Volunteering "Help for Ukraine", Budimex employees renovated a bathroom for refugees, supported 300 families in a village in the Bucza area by supplying them with the most necessary food products, equipped the Reception Point for Refugees in Ustrzyki Dolne and actively participated in helping to unload in-kind aid delivered to the warehouse, landscaped the surroundings around the building of a day care centre established for the needs of women and their children from across our eastern border, and renovated the playroom in the refugee centre. A total of 58 volunteers worked for more than 700 hours in 2022, carrying out 7 grants worth PLN 136 thousand.

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".

Throughout 2022, the Budimex Group was active in a number of sponsorship and charity programmes and activities. In 2022, we continued to implement social, cultural and educational projects by supporting the following initiatives:

- the "Odkrywcy Diamentów" [Diamond 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, in particular in such fields as: technology, engineering, structure, industrial design, maths and management,
- the Demos Foundation, which helps young people in a difficult life situation. This organisation provides premises for educational, therapeutic and sports activities. It holds workshops for youth leaders and scholarship programs.
- Support for education in regions struggling with poverty:
- Purchase of school equipment, support for summer holidays, organisation of educational tournaments in the Warmińsko-Mazurskie, Mazowieckie, Podlaskie and Łódzkie provinces,
- Support for volunteer fire brigades in the Łódź and Podkarpackie regions,

Directors' Report on the activities of the Budimex Group and Budimex SA in 2022

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

• Support for the Foundations: Nikt Nie Zostaje (No one is left behind), Stare Powązki, Międzyszkolny Klub Sportowy Wola (Wola Interscholar Sports Club) in Warsaw, Towarzystwo Przyjaciół Dzieci (Children's Friends Society) in Warsaw, Miejsko-Robotniczy Klub Sportowy (Municipal Sports Club) Czechowice-Dziedzice, "Integracja JP II" in Łódź, Demos Foundation in Krakow and Prince Józef Poniatowski Foundation

The total amount of all donations made in 2022 was 1 945 thousand, and the number of projects was 43.

No cases of socio-economic non-compliance were identified in 2022, and therefore no fines were imposed on the Budimex Group companies.

5.6 Legal proceedings

The total value of legal proceedings pending in respect of liabilities and receivables as at 31 December 2022 was PLN 684 516 thousand. The excess of the value of proceedings relating to claims of the Group companies over proceedings against the Group companies amounted to PLN 139 280 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 2022 was PLN 272 618 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 Ferrovial 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 Ferrovial Agroman SA on 21 September 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 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 Ferrovial Construcción SA agreed to mediation and the appointed mediator. By order of 25 November 2022, the court extended the time limit for mediation until 30 April 2023.

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 411 898 thousand as at 31 December 2022. 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 3.2 of the Budimex Group's Report on non-financial information for 2022.

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

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

As at 31 December 2022, 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 2022, 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 changed as follows during 2022:

In accordance with EIB Report No 3/2021 dated 13 December 2021, the Company did not apply the following BPWLC 2021 principles since the beginning of 2022:

-principles 1.3.1, 1.3.2, 1.4 and 1.4.1. due to ongoing work on the Company's strategy whose completion was planned for the first half of 2022,

-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 depends on the performance of assigned tasks, and not on the short-term performance of the Company. Remuneration of risk management and compliance 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 and compliance, the principle will be applied by the Company.

-principle 3. 5– in accordance with this principle, persons responsible for risk and compliance management report directly to the president or other member of the management board – in this respect, the Company explained that person responsible for risk management reports directly to the President of the Management Board. The Compliance Chief Officer is a Member of the Management Board of the Company – Director of the Legal and Organizational Division, who together with the Deputy Compliance Coordinator and the Compliance Executive Team (under development) oversees the compliance of the Company's operations with the law, internal regulations and rules ethics. The size of the activities conducted by the Company and the high activity on the public procurement market mean that the introduction of the system at this level allows for quick response to the changing legal reality and avoiding potential violations of law in areas of strategic importance for the Company. In addition, it also enables the ongoing minimization of legal risks / breaches of ethics due to the wide and constant access to emerging problems and issues.

-principle 3. 7– in accordance with this principle, Principles 3.–43.6 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 is FBSerwis S.A. The company has appointed a Compliance Coordinator who reports directly to the Director of the Legal Department – Member of the Management Board of FBSerwis S.A. The Coordinator's remuneration depends partly on the financial results of FBSerwis S.A. At the same time, the process of creating regulations and structures for risk management is carried out. The expected completion date of this process is the end of June 2022. The company has no regulations or structures for internal audit. The company plans to use the support of Budimex S.A. in this regard, on the basis of an agreement that it plans to conclude by the end of June 2022,

-principles 4.1, 4.8, 4.9.1, 4. 13 and 4.14. concerning the General Meeting – with respect to principle 4.1. concerning e-general meeting, the Company maintains its position presented in connection with Principle IV.R.2(2) of Chapter IV General meeting and shareholder relations and Principle IV.R.2(3) of Chapter IV General meeting and shareholder relations from the set BPWLC 2016; with respect to the remaining principles, the Company explained that the Management Board intends to recommend the application of these principles to the General Meeting. The relevant item will be placed on the agenda of the next General Meeting.

In accordance with the EBI report of 19 May 2022, the commentary to Principle 2.1. and 2.2. has been changed in connection with the decisions taken by the Annual General Meeting of Budimex S.A. on 19 May 2022. (the AGM adopted the Diversity Policy of the Budimex S.A. Supervisory Board) and Principles 4.8., 4.9.1., 4.13. and 4.14. were indicated as applicable. The Company still did not apply the following BPWLC 2021 principles: 1.3.1., 1.3.1., 2.1., 4.4.2., 1.2., 1.3., 2.3., 4.3., 5.4., 7.1.

In accordance with the EBI report of 21 June 2022, in connection with the adoption by the Management Board of Budimex S.A. of the assumptions of the dividend policy for 2022-2026, the commentary to Principle 1.1 has changed.

In accordance with the EBI report of 30 June 2022, in connection with the extension of the deadline for work on the Company's business strategy and sustainable development strategy the commentary to Principles 1.3, 1.3.2., 1.4. and 1.4.1. was changed as well as in connection with changes in the scope of risk management and in the field of internal audit in a company of significant

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

importance to the activities of Budimex, i.e. FBSerwis S.A. the comment to Principle 3.7 was changed. (With regard to internal audit, FBSerwis S.A. has entered into an agreement under which it is supported by Budimex S.A. in this respect).

In accordance with the EBI report of 30 September 2022, due to organisational changes regarding the Company's compliance system, the comments to Principle 3.4. and Principle 3.5. were changed, with the Company starting to apply Principle 3.5.

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

In September 2017, the Management Board of Budimex SA adopted the Compliance Policy. Adoption of the Policy demonstrates the importance that the Company attaches to conducting its business in compliance with applicable laws, ethical standards and fair play rules. 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.

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 Ferrovial Group, the main shareholder of Budimex. 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.

In addition, in the reporting year Budimex implemented the principle of additionally compensating the wage gap for people returning after long-term absences (so-called gender pay gap budget).

Budimex 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. Budimex 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, Budimex 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,
- 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

Directors' Report on the activities of the Budimex Group and Budimex SA in 2022

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

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.

Structure of employees of the Budimex Group in 2022:

Age (in years)	Women	Men	Total
<30	421	772	1 193
30-50	1 027	3 378	4 405
> 50	102	1 322	1 424
Total employees	1 550	5 472	7 022

Age and gender structure of the Company's Management Board

	Women	Men	Total
Total Management Board, of which:	0	4	4
under 30 years of age	0	0	0
30-50 years of age	0	2	2
over 50 years of age	0	2	2
including foreign nationals	0	0	0

Age and gender structure of the Company's Supervisory Board

	Women	Men	Total
Supervisory Board	1	8	9
under 30 years of age	0	0	0
30-50 years of age	0	1	1
over 50 years of age	1	7	8
including foreign nationals	0	3	3

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. In 2022, an audit of the entire financial reporting process was additionally carried out by an independent consulting firm, which did not reveal any irregularities.

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 part 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

Directors' Report on the activities of the Budimex Group and Budimex SA in 2022

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

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 and this Directors' Report 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 2022 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%
Nationale-Nederlanden OFE	ordinary	2 353 889	9.22%	2 353 889	9.22%
Drugi 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	100.0%	25 530 098	100.0%

The above figures present the shareholding structure as at the last General Shareholders' Meeting (GMS) of 19 May 2022, taking into account the information contained in current report No 2/2023 of 5 January 2023.

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.

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

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 2022, 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.

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.

Directors' Report on the activities of the Budimex Group and Budimex SA in 2022

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

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,
- 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.

Directors' Report on the activities of the Budimex Group and Budimex SA in 2022

(all amounts in tables are expressed in PLN thousand, unless stated 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 2022, the Management Board of Budimex SA was composed of the following persons:

- Artur Popko President of the Management Board, General Director
- Jacek Daniewski Board Member, Chief Legal and Organisational Officer,
- Artur Pielech Board Member, General Director of FBSerwis SA,
- Marcin Węglowski Board Member, Chief Financial Officer.

In 2022, the composition of the Management Board did not change.

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.

In 2022, there were no changes as regards authorisations to represent the Company granted by the Management Board.

b) Composition of the Supervisory Board and its Committees

As at 31 December 2022, 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
- Dariusz Jacek Blocher 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 2022, the composition of the Supervisory Board changed as follows:

- as of the date of the Ordinary General Meeting of Budimex SA, i.e. as of 19 May 2022, Mr Jose Carlos Garrido-Lestache Rodriguez ceased to perform the function of a member of the Supervisory Board, which results from the expiry of the mandate of the above-mentioned person, due to the lack of appointment by the Ordinary General Meeting to the Supervisory Board for a new term of office, on 19 May 2022 the Ordinary General Meeting appointed Mario Manuel Menendez Montoya to the Supervisory Board,
- on 8 November 2022, Mario Mostoles Nieto ceased to be a member of the Supervisory Board as a result of his resignation.

As at 31 December 2022, 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 2022. Following the General Meeting's election of the composition of the Supervisory Board for a new term of office on 19 May 2022, on the same date the Supervisory Board determined the composition of the Audit Committee to be the same as before.

As regards the independence of an Audit Committee member, the Company applied the following provisions in 2022: 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.

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 2022, the Investment Committee was composed of the following persons:

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

Directors' Report on the activities of the Budimex Group and Budimex SA in 2022

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

There were no changes in the composition of the Investment Committee in 2022. Following the General Meeting's election of the composition of the Supervisory Board for a new term of office on 19 May 2022, on the same date the Supervisory Board determined the composition of the Investment Committee to be the same as before.

As at 31 December 2022, the Remuneration Committee was composed of the following persons:

- Marek Michałowski – Chairperson,
- Dariusz Blocher – Member,
- Igor Chalupiec – Member,

In 2022, there was a change in the composition of the Remuneration Committee as a result of Mario Mostoles Nieto's resignation, following which he ceased to be a member of the Supervisory Board and thus a member of the Remuneration Committee as of 8 November 2022.

Following the General Meeting's election of the composition of the Supervisory Board for a new term of office on 19 May 2022, on the same date the Supervisory Board determined the following four-member composition of the Remuneration Committee:

- Marek Michałowski – Chairperson,
- Dariusz Blocher – Member,
- Igor Chalupiec – Member,
- Mario Mostoles Nieto – member.

Following the resignation of Mr Mario Mostoles Nieto, the Remuneration Committee was composed of three members.

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,

Directors' Report on the activities of the Budimex Group and Budimex SA in 2022

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

- recommending to the General Meeting of Shareholders the acknowledgement of the fulfilment of duties by members of the Management Board,
- 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 statements 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 Audit Supervision Authority 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;

Directors' Report on the activities of the Budimex Group and Budimex SA in 2022

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

- 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;
- 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 2022 was met by the following members of the Audit Committee: Danuta Dąbrowska and Janusz Dedo.

In 2022, 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 5 meetings in 2022.

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.

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, Budimex Group company mergers, divisions or

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

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, development projects and significant contracts with related parties.

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. In 2022, the Company published the next Report on the remuneration of the Management Board and Supervisory Board members in 2021.

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 focused on promoting the fulfilment of the tasks entrusted to the members of the Management Board, the achievement of business results at the assumed level or exceeding expectations, as well as promoting the increase of the Company's operational, business and organisational efficiency.

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.

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,

Directors' Report on the activities of the Budimex Group and Budimex SA in 2022

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

- 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 body authorised to determine the remuneration policy for members of the Management Board of Budimex SA is the Supervisory Board. The policy defines all types of remuneration, in particular, fixed remuneration, performance-based remuneration, retirement benefit schemes and retirement benefits, and long-term incentive schemes.

In addition, the Supervisory Board performs all labour-law based activities in relations between Budimex SA and members of the Management Board. Employment contracts with members of the Management Board are signed by the Chairperson of the Supervisory Board on behalf of the Supervisory 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 note 40.1 to the consolidated financial statements of the Budimex Group and in note 38 to 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 "Ferrovial's objective-related share incentive scheme" ("Plan przyznania akcji związanych z celami Ferrovialu") which consists in conditional awarding of rights to acquire shares in Ferrovial 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 Ferrovial. Both the fact of awarding and the number of awarded shares depends on achieving economic parameters budgeted by the Ferrovial 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 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 "Ferrovial's objective-related share incentive scheme" ("Plan przyznania akcji związanych z celami Ferrovialu") which consists in conditional awarding of rights to acquire shares in Ferrovial SA. Key
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Directors' Report on the activities of the Budimex Group and Budimex SA in 2022

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

managers

who have been employed at the Company for at least 36 months will be eligible to subscribe for the shares in Ferrovia. Both the fact of awarding and the number of awarded shares depends on achieving economic parameters budgeted by the Ferrovia 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 2022 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 2022 – Ernst & Young Audit 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, 27 March 2023

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

Directors' Report on the activities of the Budimex Group and Budimex SA in 2022

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

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