**BUDIMEX SA**

# FINANCIAL STATEMENTS

## For the year ended 31 December 2021

## Prepared in accordance with International Financial Reporting Standards

**endorsed by the European Union**

## Table of contents

*(all amounts are expressed in PLN thousand)*

## Statement of financial position

| ASSETS | Note | 31 December 2021 | 31 December 2020 |
|---|---|---|---|
| **NON-CURRENT ASSETS (long-term assets)** | | | |
| Property, plant and equipment | 9 | 193 109 | 226 165 |
| Intangible assets | 12 | 36 949 | 36 177 |
| Investments in subsidiaries | 14 | 375 648 | 1 047 419 |
| Investments in associates | 14 | 191 | 191 |
| Investments in other entities | 14 | 3 266 | 3 266 |
| Other financial assets | 15.1; 15.2 | 37 713 | 1 773 |
| Trade and other receivables | 16 | 27 462 | 27 944 |
| Retentions for construction contracts | 27 | 82 482 | 84 551 |
| Deferred tax assets | 22 | 626 804 | 497 680 |
| **NON-CURRENT ASSETS (long-term), total** | | **1 383 624** | **1 925 166** |
| **CURRENT ASSETS (short-term)** | | | |
| Inventories | 17 | 403 525 | 423 874 |
| Trade and other receivables | 16 | 1 029 354 | 795 674 |
| Retentions for construction contracts | 27 | 89 158 | 40 756 |
| Valuation of construction contracts | 25 | 699 701 | 580 227 |
| Other financial assets | 15.1; 15.2 | 3 014 | 1 396 |
| Cash and cash equivalents | 18 | 2 379 932 | 1 648 390 |
| **CURRENT ASSETS (short-term), total** | | **4 604 684** | **3 490 317** |
| **TOTAL ASSETS** | | **5 988 308** | **5 415 483** |

*(all amounts are expressed in PLN thousand)*

## Statement of financial position (cont.)

| EQUITY AND LIABILITIES | Note | 31 December 2021 | 31 December 2020 |
|---|---|---|---|
| **EQUITY** | | | |
| Issued capital | 19 | 145 848 | 145 848 |
| Share premium | 19 | 80 199 | 80 199 |
| Other reserves | 19 | 55 053 | 49 993 |
| Cumulative translation differences | | 5 857 | 5 998 |
| Retained earnings | 19 | 760 903 | 588 020 |
| **TOTAL EQUITY** | | **1 047 860** | **870 058** |
| **LIABILITIES** | | | |
| **Non-current (long-term) liabilities** | | | |
| Loans, borrowings and other external sources of finance | 20 | 71 278 | 108 191 |
| Retentions for construction contracts | 27 | 227 318 | 224 501 |
| Provisions for long-term liabilities and other charges | 24 | 546 794 | 507 774 |
| Retirement benefits and similar obligations | 23 | 9 624 | 14 476 |
| Other financial liabilities | 15.1 | 1 621 | - |
| **Non-current liabilities, total** | | **856 635** | **854 942** |
| **Current (short-term) liabilities** | | | |
| Loans, borrowings and other external sources of finance | 20 | 54 414 | 62 266 |
| Trade and other payables | 21 | 1 157 619 | 1 161 969 |
| Retentions for construction contracts | 27 | 200 047 | 201 526 |
| Provisions for losses on construction contracts | 25 | 510 843 | 310 432 |
| Valuation of construction contracts | 25 | 1 563 706 | 1 307 913 |
| Deferred income | 26 | 279 524 | 394 681 |
| Provisions for short-term liabilities and other charges | 24 | 262 385 | 216 672 |
| Current tax liability | | 51 700 | 33 489 |
| Retirement benefits and similar obligations | 23 | 1 407 | 1 305 |
| Other financial liabilities | 15.1 | 2 168 | 230 |
| **Current (short-term) liabilities, total** | | **4 083 813** | **3 690 483** |
| **TOTAL LIABILITIES** | | **4 940 448** | **4 545 425** |
| **TOTAL EQUITY AND LIABILITIES** | | **5 988 308** | **5 415 483** |

*(all amounts are expressed in PLN thousand)*

## Profit and Loss Account

| | Note | Year ended 31 December | |
|---|---|---|---|
| | | **2021** | **2020** |
| ***Continuing operations*** | | | |
| Net sales of finished goods and services, goods for resale and raw materials | 28 | 7 041 673 | 7 276 482 |
| Cost of finished goods and services, goods for resale and raw materials sold | 30 | (6 437 199) | (6 699 321) |
| **Gross profit on sales** | | **604 474** | **577 161** |
| Selling expenses | 30 | (12 012) | (11 628) |
| Administrative expenses | 30 | (228 123) | (224 026) |
| Other operating income | 32 | 74 082 | 117 729 |
| Other operating expenses | 32 | (19 828) | (105 269) |
| **Operating profit** | | **418 593** | **353 967** |
| Finance income | 33 | 764 824 | 89 355 |
| Finance costs | 33 | (39 604) | (37 480) |
| **Gross profit** | | **1 143 813** | **405 842** |
| Income tax | 22 | (164 180) | (95 301) |
| **Net profit from continuing operations** | | **979 633** | **310 541** |
| **Net profit for the period** | | **979 633** | **310 541** |

| | | | |
|---|---|---|---|
| *Basic and diluted earnings per share attributable to shareholders (in PLN)* | 35 | *38.37* | *12.16* |

## Statement of comprehensive income

| | Note | Year ended 31 December | |
|---|---|---|---|
| | | **2021** | **2020** |
| **Net profit for the period** | | **979 633** | **310 541** |
| **Other comprehensive income, of which:** | | | |
| *Items to be reclassified to profit or loss upon satisfaction of certain conditions:* | | | |
| Cumulative translation differences | | (141) | (1 295) |
| Deferred tax related to components of other comprehensive income | | - | - |
| *Items not to be reclassified to profit or loss:* | | | |
| Actuarial gains/ (losses) | 23 | 6 247 | (1 447) |
| Deferred tax related to components of other comprehensive income | 22 | (1 187) | 275 |
| **Other comprehensive income, net** | | **4 919** | **(2 467)** |
| **Comprehensive income for the period** | | **984 552** | **308 074** |

*(all amounts are expressed in PLN thousand)*

## Statement of changes in equity

| | Issued capital | Share premium | Other reserves | Cumulative translation differences | Retained earnings | Total |
|---|---|---|---|---|---|---|
| **Balance as at 1 January 2021** | **145 848** | **80 199** | **49 993** | **5 998** | **588 020** | **870 058** |
| Profit for the period | - | - | - | - | 979 633 | **979 633** |
| Other comprehensive income | - | - | 5 060 | (141) | - | **4 919** |
| **Comprehensive income for the period** | **-** | **-** | **5 060** | **(141)** | **979 633** | **984 552** |
| Dividend payment (note 36) | - | - | - | - | (426 352) | **(426 352)** |
| Interim dividend payment (note 36) | - | - | - | - | (380 398) | **(380 398)** |
| **Balance as at 31 December 2021** | **145 848** | **80 199** | **55 053** | **5 857** | **760 903** | **1 047 860** |

*(all amounts are expressed in PLN thousand)*

## **Statement of changes in equity** (cont.)

| | Issued capital | Share premium | Other reserves | Cumulative translation differences | Retained earnings | Total |
|---|---|---|---|---|---|---|
| **Balance as at 1 January 2020** | **145 848** | **80 199** | **51 165** | **7 293** | **393 896** | **678 401** |
| Profit for the period | - | - | - | - | 310 541 | **310 541** |
| Other comprehensive income | - | - | (1 172) | (1 295) | - | **(2 467)** |
| **Comprehensive income for the period** | **-** | **-** | **(1 172)** | **(1 295)** | **310 541** | **308 074** |
| Dividend payment | - | - | - | - | (116 417) | **(116 417)** |
| **Balance as at 31 December 2020** | **145 848** | **80 199** | **49 993** | **5 998** | **588 020** | **870 058** |

*(all amounts are expressed in PLN thousand)*

## Statement of cash flows

| | Note | Year ended 31 December | |
|---|---|---|---|
| | | **2021** | **2020** |
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| **Gross profit** | | **1 143 813** | **405 842** |
| **Adjustments for:** | | | |
| Depreciation/ amortization | 30 | 84 680 | 78 270 |
| Foreign exchange (gains)/ losses | | 634 | 1 478 |
| Interest and shares in profits (dividends) | | (188 490) | (60 853) |
| (Profit)/ loss on investing activities | | (575 494) | (1 452) |
| Change in valuation of derivative financial instruments | 15.1 | 3 785 | (1 558) |
| Change in provisions and liabilities arising from retirement benefits and similar obligations | | 72 348 | 163 234 |
| Other adjustments | 37 | (171) | (1 275) |
| **Operating profit before changes in working capital** | | **541 105** | **583 686** |
| Change in receivables and retentions for construction contracts | | (275 854) | 169 426 |
| Change in inventories | | 20 349 | 54 005 |
| Change in retentions for construction contracts and in liabilities, except for loans and borrowings | | (25 104) | (131 371) |
| Change in valuation of construction contracts and provision for losses on construction contracts | 25 | 336 730 | 259 007 |
| Change in deferred income | 26 | (115 157) | (191 229) |
| Change in the balance of cash and cash equivalents of restricted use | 18 | (18 169) | 10 243 |
| **Cash flow from operating activities** | | **463 900** | **753 767** |
| Income tax paid | | (276 279) | (254 455) |
| **NET CASH FROM OPERATING ACTIVITIES** | | **187 621** | **499 312** |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | |
| Proceeds from sale of intangible assets and property, plant and equipment | | 18 218 | 2 824 |
| Acquisition of intangible assets and property, plant and equipment | | (29 275) | (26 051) |
| Purchase of shares in affiliates | 14 | (47 889) | (5 225) |
| Disposal of shares in affiliates | 34 | 1 321 772 | - |
| Purchase of bonds issued by banks | 15.3 | - | (269 079) |
| Proceeds from bonds issued by banks | 15.3 | - | 388 667 |
| Loans granted | 15.2 | (81 834) | (15 000) |
| Repayment of loans granted | 15.2 | 44 000 | 15 043 |
| Dividends received | 33 | 190 515 | 63 192 |
| Interest received | 15.2; 15.3 | 657 | 4 967 |
| Advance granted for the purchase of shares | | (3 675) | - |
| **NET CASH FROM/ (USED) IN INVESTING ACTIVITIES** | | **1 412 489** | **159 338** |

*(all amounts are expressed in PLN thousand)*

## Statement of cash flows (cont.)

| | Note | Year ended 31 December 2021 | 2020 |
|---|---|---|---|
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | |
| Dividends paid | 36 | (806 750) | (116 417) |
| Payment of lease liabilities | 42 | (76 641) | (63 640) |
| Interest paid | 42 | (2 626) | (3 620) |
| **NET CASH (USED) IN FINANCING ACTIVITIES** | | **(886 017)** | **(183 677)** |
| | | | |
| **TOTAL NET CASH FLOW** | | **714 093** | **474 973** |
| Foreign exchange differences on cash and cash equivalents, net | | (720) | 1 006 |
| **CASH AND CASH EQUIVALENTS - OPENING BALANCE** | 18 | **1 644 210** | **1 168 231** |
| **CASH AND CASH EQUIVALENTS - CLOSING BALANCE** | 18 | **2 357 583** | **1 644 210** |

# Notes to financial statements

## 1. General information

Budimex SA (the „Company", „Issuer") with its registered office in Warsaw at ul. Siedmiogrodzka 9, is a joint stock company entered in the Register of Entrepreneurs kept by the District Court for the capital city of Warsaw, 13th Economic Department of the National Court Register under entry KRS No. 0000001764.

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

The Company has an unlimited period of operation.

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

According to the Polish Classification of Activities (Polska Klasyfikacja Działalności - „PKD" 2007"), as at 31 December 2021 the main scope of the Company's business activities was civil engineering (PKD 42.11.Z). The industry branch in which the Company operates was classified by the Warsaw Stock Exchange as general construction.

As at 31 December 2021, the Company operated the following branches:

- Oddział Budownictwa Ogólnego Północ in Poznań at ul. Wołowska 92A,
- Oddział Budownictwa Ogólnego Południe in Cracow at ul. Ujastek 7,
- Oddział Budownictwa Ogólnego Wschód in Warsaw at ul. Siedmiogrodzka 9,
- Oddział Budownictwa Komunikacyjnego Północ in Warsaw at ul. Siedmiogrodzka 9,
- Oddział Budownictwa Komunikacyjnego Południe in Cracow at ul. Ujastek 7,
- Oddział Budownictwa Komunikacyjnego Zachód in Wrocław at ul. Mokronoska 2,
- Oddział Budownictwa Przemysłowego i Kolejowego in Warsaw at ul. Siedmiogrodzka 9,
- Oddział Usług Sprzętowych in Pruszków at ul. Przejazdowa 24,
- Oddział in Rzeszów at ul. Słowackiego 24,
- Oddział in Poznań at ul. Wołowska 92A,
- Budimex SA Zweigniederlassung Koln, Pferdmengesstr. 5, Köln.

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

These financial statements were authorized by the Management Board of the Company on 21 March 2022.

The Company prepared consolidated financial statements for the year ended 31 December 2021, which were authorized for issue on 21 March 2022.

## 2. Going concern assumption

The attached financial statements were prepared on the assumption that the Company will continue as a going concern in the foreseeable future. As at the date of signing these financial statements, the Management Board is not aware of any facts or circumstances that would indicate any threat to the Company's continued activities after the reporting date due to an intended or compulsory withdrawal from or a significant limitation in its activities. The COVID-19 pandemic did not affect the Company's going concern assumption.

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

These financial statements for the year ended 31 December 2021 were prepared in accordance with International Financial Reporting Standards ("IFRS") endorsed by the European Union ("EU") and binding as at the reporting date of these financial statements.

***Amendments to International Financial Reporting Standards applied for the first time in 2021***

In the financial year ended 31 December 2021, the Company applied for the first time the following amendments to IFRSs:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – IBOR reform - Phase 2,
- Amendments to IFRS 4 „Insurance contracts" – *Deferral of effective date of IFRS 9*,
- Amendments to IFRS 16 „Leases" – *"Covid-19-Related Rent Concessions after 30 June 2021".*

The above Amendments to the Standards did not have any material impact on the Company's accounting policy applied so far.

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

In authorizing these financial statements, the Company *did not* apply the following standards and amendments to other standards that were issued and endorsed for use in the EU, but which have not yet become effective:

- Amendments to IFRS 3 „Business combinations", IAS 16 „Property, plant and equipment" and IAS 37 „Provisions, Contingent Liabilities and Contingent Assets", Annual Improvements to IFRSs (Cycle 2018-2020) (effective for annual periods beginning on or after 1 January 2022),
- Amendments to IAS 1 „Presentation of financial statements" and Handbook of IFRS 2: "Disclosure of accounting rules and principles" (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 8 „Accounting Policies, Changes in Accounting Estimates and Errors" (effective for annual periods beginning on or after 1 January 2023),
- IFRS 17 „Insurance contracts" and Amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023).

***Standards and Amendments to Standards adopted by the IASB, but not yet endorsed by the EU***

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

- IFRS 14 „Regulatory Deferral Accounts" – according to the decision of the European Union, standard endorsement process in its draft form will not be initiated before publication of standard's final version (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IFRS 10 „Consolidated Financial Statements" and IAS 28 „Investments in Associates and Joint Ventures" – *"Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"* – work leading to the endorsement of these changes was postponed indefinitely – the date of amendments becoming effective was indefinitely deferred by the IASB,
- Amendments to IAS 1 „Presentation of Financial Statements" – *"Classification of Liabilities as Current or Non-current" and "Classification of Liabilities as Current or Non-current — Deferral of Effective Date" (*effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 12 „Income Taxes" - *„Deferred tax related to assets and liabilities arising from a single transaction"* (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IFRS 17 „Insurance Contracts" - *"Initial Application of IFRS 17 and IFRS 9—Comparative Information"* (effective for annual periods beginning on or after 1 January 2023).

The above Standards and Amendments to Standards would not have any material impact on the financial statements, had they been applied by the Company at the reporting date.

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction on the principal (or the most advantageous) market at the measurement date and under current market conditions, irrespective of whether the price is directly observable or estimated using another valuation technique.

When re-measuring an asset or a liability to fair value, the Company takes into account factors specific to the asset or liability, provided such factors are considered by market participants at asset or liability measurement date. For the purpose of measurement and/or disclosure in the financial statements of the Company, fair value is defined on the above basis, except for share-based payments which are within the scope of IFRS 2, leasing transactions which are within the scope of IFRS 16, as well as measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

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

- Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date,
- Level 2 inputs: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices),

- Level 3 inputs: input data for the asset or liability that are not based on observable market data (i.e. unobservable source data).

## 4. Key accounting policies

The main accounting policies applied during the course of the preparation of these financial statements are presented below. These accounting policies were applied consistently in all the periods presented, except for the application of new or amended standards and IFRIC interpretations which are binding for the annual periods commencing on or after 1 January 2021.

### 4.1 Foreign currency transactions and valuation of foreign currency items

***Functional and presentation currency***

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

***Transactions and balances***

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

At each reporting date:

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

Foreign exchange differences relating to foreign currency assets and liabilities that originated on the date of assets and liabilities measurement, on settlement of foreign currency receivables and payables as well as on sale of currencies are included under finance income or finance costs, as appropriate. In the event of non-monetary items stated at fair value, where gains or losses on re-measurement to fair value are recognised in equity, then the foreign exchange differences are also recognised in equity. If gains or losses from re-measurement to fair value are included in the profit and loss account, the translation exchange differences are also recognised in the profit and loss account.

***Foreign operations***

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

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

### 4.2 Property, plant and equipment

Property, plant and equipment are stated at cost or cost of production less accumulated depreciation and impairment losses. Land is stated at cost less accumulated impairment losses.

Property, plant and equipment, except for land, are depreciated in the manner reflecting the pattern of consumption of economic benefits of specific items, using the straight-line method, so as to spread their initial cost reduced by residual value over their estimated useful lives. Depreciation starts when a given item of property, plant and equipment is available for use.

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

- right-of-use asset - land 2 – 71 years
- own buildings and constructions 2 – 40 years
- right-of-use asset - buildings and constructions 2 – 7 years
- own plant and machinery 2 – 30 years
- right-of-use asset - plant and machinery 2 – 25 years

- own means of transport 2 – 14 years
- right-of-use asset - means of transport 2 – 8 years
- own other [tangible] fixed assets 2 – 14 years
- right-of-use asset - other [tangible] fixed assets 2 – 3 years

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

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

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

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

**Construction in progress**

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

Prepayments (advance payments) for construction in progress are presented under property, plant and equipment.

### 4.3 Investment property

Investments in property (investment property) are initially stated at acquisition cost or cost of production, after including transaction costs. After initial recognition, investment property, except for land and property meeting the classification criteria of held for sale items, is depreciated using the straight-line method and adjusted for impairment losses, if any.

As at 31 December 2021, Budimex SA did not have any investment property.

### 4.4 Intangible assets

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

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

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

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

- development costs 2 years
- software 2 – 10 years

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

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

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

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

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

### 4.6 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost or cost of production of that asset until such assets are generally fit for the intended use or disposal.

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

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

The qualifying assets at the Company are mainly property, plant and equipment, investment property and intangible assets.

### 4.7 Leases

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

At the commencement date of a lease, the Company recognises a right-of-use asset and, as a corresponding entry, a lease liability.

At lease commencement date, the right-of-use asset is measured at cost, which comprises the amount of the initial measurement of lease liability, increased by:

- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee;
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset/ restoring the site on which it was located or restoring the underlying asset required by the terms and conditions of the lease.

After the commencement date, the right-of-use asset is depreciated and assessed for impairment in accordance with IAS 36. The value of the right-of-use asset is re-measured if lease liability, as a corresponding entry, was re-measured due to a change in the existing fixed lease instalments or due to a change or reassessment of the lease.

At the commencement date, the lease liability is measured at the present value of lease payments outstanding at that date. Lease payments are discounted using the incremental borrowing rate calculated for the Company as the lessee.

After the commencement date, lease liability is increased by accrued interest and reduced by paid lease payments. As stated above, the value of lease liability may be remeasured as a result of lease change or reassessment, or as a result of change in the existing fixed lease instalments (change in the now fixed interest or rate).

***Presentation/ Disclosure***

Budimex SA decided to account for the right-of-use assets in the same reporting line item, in which said assets would be presented had they been owned by the lessee. This means that the right-of-use assets were presented in the following reporting line items:

- “property, plant and equipment” (contracts of rent/ hire/ lease of office space, plots of land used temporarily as construction sites, passenger and commercial (heavy goods) vehicles and the right of perpetual usufruct of land used for the Company’s own needs).

Lease liabilities were presented under „Loans, borrowings and other external sources of finance”, and the value of lease liabilities was disclosed in the notes to the financial statements.

***Right to perpetual usufruct of land vs IFRS 16***

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

As regards the right of perpetual usufruct used for the Company’s own use, it is recognized under tangible fixed assets, is subject to depreciation, and interest on the liability from lease of right of perpetual usufruct reduces finance costs of the Company. As a corresponding entry, Budimex SA recognises a long- or short-term lease liability, as appropriate.

***Exemptions and practical expedients***

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

**4.8 Impairment of non-financial assets**

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

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

Impairment losses are recognised in the profit and loss account.

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

**4.9 Inventories**

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

- Raw materials – represent items kept in warehouses that are to be used in production processes, especially to be consumed in construction activities,
- Work in progress – represents general purpose and low processed inventory items which are stored on construction sites and which, in a simple way and without incurring significant costs, may be used for the realisation of other construction projects, or sold (if considered unnecessary for given contract performance),
- Goods for resale – inventory items purchased for re-sale purposes,
- Finished goods – internally developed goods for which the process of development was completed.

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

Inventories are measured at the lower of cost or cost of production and net realisable value.Net realisable value is the estimated selling price in the ordinary course of business, net of VAT and excise taxes, less any rebates, discounts, less the estimated costs to complete and costs to sell.

Issues/ decreases of raw materials are measured at cost determined as the weighted average price of raw materials. Issues/ decreases of goods for resale are measured at cost determined on the “first in – first out” basis, while those of the work in progress and finished goods – at the cost of direct materials and labour and an appropriate proportion of manufacturing overheads based on normal operating capacity.

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

**4.10 Cash and cash equivalents**

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

“Cash and cash equivalents” presented in the statement of cash flows comprise cash on hand, a-vista deposits and these bank deposits with a maturity date of up to 12 months which can easily be changed into known amount of cash and which incur insignificant risk of price fluctuations.

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

- security for bank guarantees,
- funds gathered on split payment accounts,
- cash at escrow accounts and current accounts in the part due to the contractors realizing construction contracts.

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

**4.11 Financial instruments**

Classification and measurement

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

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

A financial liability is any liability that is:

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

Financial assets and financial liabilities are recognised when the Company becomes a party to a binding contract.

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

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

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

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

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

A financial asset is recognised at amortized cost, if:

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

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

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

In addition, the Company is entitled to irrevocably determine a non-tradable investment in equity instruments, which, upon initial recognition, was measured at fair value through other comprehensive income (FVOCI) (otherwise, such investment would be measured at fair value through profit or loss (FVPL)). The amounts accumulated in other comprehensive income shall not be reclassified to the profit or loss, even upon de-recognition from the statement of financial position. Such investment is a non-monetary item. If the investment is denominated in a foreign currency, the exchange differences are recognized in other comprehensive income. Dividends, on the other hand, are recognized in the profit and loss account.

In all other cases, a financial asset is measured at fair value through profit or loss (FVPL).

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

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

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

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

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

The special sub-category of financial assets and financial liabilities held for trading are derivative financial instruments. Transactions involving derivative financial instruments are also made to hedge cash flows against FX risk.

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

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

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

The Company does not apply hedge accounting.

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

Impairment of financial assets

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

*Amount of expected credit loss allowance*

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

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

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

### 4.12 Equity

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

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

**Other reserves** cover the capital established in accordance with Polish statutory requirements, capital established in accordance with the Company's Articles of Association in excess of statutory amounts, costs of the share-based payment scheme operated by Ferrovial SA (note 38) as well as actuarial gains/(losses) on retirement benefits and similar obligations.

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

### 4.13 Employee benefits

The Company operates retirement benefits/ pension plan programs and to this end creates provisions for the present value of their underlying liabilities, recognised under *"Retirement benefits and similar obligations"*. Payments under these programs are expensed so as to ensure that the costs of those benefits are spread over employees' entire working lives at the Company. The amount of the provision is determined by an independent actuary using the projected unit credit method. Actuarial gains and losses on post-employment benefits are recognised in other comprehensive income and are not transferrable to profit or loss.

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

### 4.14 Share-based payments

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

Pursuant to an agreement with the Ferrovial Group concluded in 2014, Budimex SA undertook to cover program costs with respect to the tranche of equity instruments granted in 2014 and in the ensuing years. Therefore, the fair value of employee services related to equity instruments granted in 2014 and in the ensuing years was classified as liabilities (with a corresponding cost entry). The fair value of equity awards granted in the years 2010-2013 was recognized in other reserves.

### 4.15 Provisions

The Company creates provisions for future liabilities, the maturity or amount of which are not certain. Provisions are recognised when:

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

In the case of rendered construction services, the Company is required to provide appropriate warranties. The amount of warranty provision is linked to particular construction segments and ranges from 0.3% to 1.5% of total revenue from a given contract. This value is assessed on an individual basis and in justified cases may be increased or decreased. The costs of future warranty repairs are recognised in the cost of goods sold.

### 4.16 Recognition of revenues and expenses

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

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

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

- the contracts are negotiated as a package with a single commercial objective;
- the amount of consideration to be paid in one contract depends on the price or performance of the other contract; or
- the goods or services promised in the contracts (or some goods or services promised in each of the contracts) are a single performance obligation.

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

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

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

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

- the customer simultaneously receives and consumes the benefits provided by the company's performance as the Company performs,
- the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced, or
- the Company's performance does not create an asset with an alternative use to the Company and it has an enforceable right to payment for performance completed to date.

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

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

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

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

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

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

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

Included in assets is "Valuation of construction contracts" referring to all contracts in progress, for which recognised profits exceed progress billings. The outstanding accrued and invoiced amounts due and payable for the contract work performed are recognised under "Trade and other receivables", while the amounts retained by contractors - under "Retentions for construction contracts".

Included in liabilities is "Valuation of construction contracts" referring to all contracts in progress, for which progress billings exceed recognised profits. Recorded under "Amounts due and payable to customers under construction contracts" are also provisions for contract losses. The outstanding amounts due and payable to suppliers, for which invoices have been received are recognised under "Trade and other payables", while the amounts retained for suppliers - under "Retentions for construction contracts".

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

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

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

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

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

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

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

**4.17 Gross profit/ (loss) on sales**

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

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

**4.18 Operating profit/ (loss)**

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

**4.19 Income tax (incl. deferred tax)**

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

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

Due to the temporary differences between the carrying amount of assets and liabilities recognised in the books of account and their tax bases and due to carry-forward of unused tax losses, the Company recognises deferred tax liabilities and deferred tax assets in its financial statements. Deferred tax liabilities are recognised in the amount of income tax to be paid in the future in respect of all taxable temporary differences i.e. differences that will cause an increase in the tax base (taxable amount) in the future. Deferred tax assets are determined in the amount that is expected to be deducted from income tax in connection with deductible temporary differences, which in the future will cause a decrease in the tax base (taxable amount) and in the amount of carry-forward of unused tax losses. The carrying amount of deferred tax assets is reviewed at each reporting date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available in the future to allow all or part of the deferred tax asset to be utilised.

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

Current tax and deferred tax are included in the profit and loss account, except for the items recorded in other comprehensive income or directly in equity. In such situation, current tax and deferred tax are also included, as appropriate, in other comprehensive income or in equity.

### 4.20 Value added tax

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

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

The net amount of value added tax recoverable from, or payable to the tax authority is included as part of receivables or payables in the statement of financial position.

### 4.21 Recognition of uncertain tax position

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

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

### 4.22 Joint arrangements

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

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

## 5. Key estimates and assumptions

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

### 5.1 Key accounting estimates

The Company's Management Board makes estimates and assumptions regarding the future which are reflected in these financial statements. The actual results may differ from these estimates. The Company's estimates relate, among others, to established provisions, valuation of construction contracts, impairment write-downs of assets, accruals and deferred income or adopted depreciation/ amortisation rates. Material assumptions, not described in this point, and adopted in the estimate of above values have been described in note 4 "Key accounting policies".

***Un-invoiced services***

The Company executes the majority of construction contracts in the capacity of general contractor with extensive support from various subcontractors. Realised construction works are approved by the investor in the process of technical approval and acceptance on the basis of technical acceptance protocol and invoice. At each reporting date, a number of completed, yet not accepted and un-invoiced by subcontractors, construction project works is recorded. In accordance with the accruals concept, these are recognised by the Company as contract costs. The value of the costs of completed and un-invoiced projects is determined by technical surveyors based on physical survey of completed work and may differ from that determined in the formal process of technical acceptance of construction works.

***Tax settlements***

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

As at 31 December 2021 and until the date of preparation of these financial statements there have been no ongoing tax inspections in the Company.

***Provisions for future warranty repairs***

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

***Provisions for legal cases, penalties and liquidated damages***

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

### 5.2 Professional judgment in applying accounting policies

***Recognition of construction contracts revenue and losses***

In accordance with the description presented in note 4.16, the preferred method of measurement of goods and services transferred to the customers over time is the survey of work performed method or the work progress measurement method *(metoda obmiaru wykonanych prac),* which is the results-based method. This method requires making physical measurements of construction works and allocation of unit selling prices and unit costs to individual goods developed under construction contracts.

The method of the proportion that the costs incurred to the date of revenue determining bear to the total costs of goods or services is applied only where measuring the progress of works may not be reliably measured using the work progress measurement (results–based) method. In the case of this method, revenue from construction contracts during the period from contract inception to the reporting date, after deducting revenue that affected prior periods financial result, is determined in proportion to the stage of contract completion, which is determined based on the proportion that contract costs incurred for work performed to the date of revenue determining bear to the estimated total contract costs.

Irrespective of the applied method to measure progress in the complete satisfaction of a performance obligation to transfer goods or services to the customer, the key element that facilitates sales revenue measurement are the budgets of individual contracts. Twice a year, the budgets of individual contracts are subject to formal update (revision) procedure, based on the current information, and are approved by the Management Board. Where any "in-between" events are identified that materially affect contract result, total contract revenue or total contract costs may be updated earlier, i.e. prior to scheduled contract revision date.

Where total contract costs may exceed total contract revenue, then in accordance with IAS 37 the expected loss (excess of cost over revenue) is recognised as an operating expense with a corresponding entry being recognition of a provision for onerous contracts (provision for contracts losses). The amount of the expected contract loss is also updated during budget revisions and is the best estimate of the costs that the Company will have to incur to complete the implementation of a given construction contract.

## 6. Discontinued operations

In 2021 and 2020, no operations were discontinued within the meaning of IFRS 5.

## 7. Financial risk management

The main financial instruments used by the Company are:

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

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

***Currency risk***

As part of its core business activities, the Company enters into foreign currency construction contracts and agreements with subcontractors and suppliers. The foreign currency risk management policy adopted by the Management Board consists in hedging future cash flows resulting from these contracts in order to limit the effect of volatility of currency exchange rates on the results of the Company. In accordance with this policy, the Company hedges against foreign currency risk attached to each construction contract, where the value of payments (inflows or outflows) in foreign currencies is considered significant. Hedging against foreign currency risk is made using derivative financial instruments, mainly currency forward contracts (FX forwards) or, if possible, using natural hedge mechanism, which consists in concluding supplier or subcontractor agreements in the currency of the underlying contract.

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

In accordance with the Company's policy, foreign currency exposure is systematically measured for both individual construction contracts (by way of analysis of foreign currency inflows and outflows for the contracts concluded with investors in foreign currency and by way of analysis of foreign currency outflows for the contracts concluded with investors in domestic currency) and for all contracts in aggregate. It is the Management Board's policy to hedge the net foreign currency exposure on realised contracts. As at 31 December 2021, approximately 79% of the Company's exposure to foreign exchange risk was hedged.

***Foreign currency risk – sensitivity to changes***

In order to analyse the sensitivity to fluctuations in exchange rates, on the basis of historical changes in values and the Company's knowledge of and experience in the financial markets, the „feasibly possible" fluctuations in exchange rates were assessed at -10% / +10% as at 31 December 2021 and as at 31 December 2020.

The table below shows the sensitivity of the net result to reasonably possible changes in exchange rates with other factors remaining unchanged (the impact on net assets is identical).

| | Nominal value at the reporting date | Sensitivity to fluctuations as at 31 December 2021 | |
|---|---|---|---|
| | | Depreciation | Appreciation |
| | | of Polish zloty against other currencies | |
| | | +10% | -10% |
| Forward contracts (sum of absolute values) | | | |
| – EUR | 62 320 | (14 007) | 14 007 |
| – CHF | 440 | 195 | (195) |
| Financial instruments denominated in foreign currencies – net currency exposure: | | | |
| – EUR | 3 497 | 1 608 | (1 608) |
| – USD | 195 | 79 | (79) |
| **Gross effect on the result for the period and net assets** | | **(12 125)** | **12 125** |
| Deferred tax | | 2 304 | (2 304) |
| **Total** | | **(9 821)** | **9 821** |

| | Nominal value at the reporting date | Sensitivity to fluctuations as at 31 December 2020 | |
|---|---|---|---|
| | | Depreciation | Appreciation |
| | | of Polish zloty against other currencies | |
| | | +10% | -10% |
| Forward contracts (sum of absolute values) | | | |
| – EUR | 17 240 | 7 670 | (7 670) |
| – CZK | 19 962 | 346 | (346) |
| Financial instruments denominated in foreign currencies – net currency exposure: | | | |
| – EUR | 3 979 | 1 836 | (1 836) |
| – USD | (48) | (18) | 18 |
| **Gross effect on the result for the period and net assets** | | **9 834** | **(9 834)** |
| Deferred tax | | (1 868) | 1 868 |
| **Total** | | **7 966** | **(7 966)** |

***Interest rate risk***

Interest rate risk occurs mainly due to the use by the Company of lease contracts. Lease contracts concluded by the Company are based on variable interest rates and expose the Company to cash flows fluctuations. The interest rate risk relating to current debt was assessed as relatively low from the perspective of its impact on the Company's results. At present, interest rate risk management covers both ongoing monitoring of the market situation and debt levels, as well as possible hedging against the risk of fluctuations of market interest rates by way of entering into interest rate swap (IRS) transactions (floating rates to fixed rates).

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

**Interest rate risk – sensitivity to changes**

In order to analyse the sensitivity to fluctuations in interest rates, on the basis of historical changes in values and the Company's knowledge of and experience in the financial markets, the "reasonably possible" fluctuations in interest rates were assessed as at 31 December 2021 at 2.5/+2,5 p.p. for PLN, at -0.25/+0.25 p.p. for EUR, USD and CHF. As at 31 December 2020, the "reasonably possible" fluctuations in interest rates were assessed at -0.25/+0.25 p.p. for PLN, EUR, USD and CZK. The much higher level of "reasonably possible" fluctuations in interest rate for PLN as at 31 December 2021 results from much greater uncertainty on the financial markets caused by the geopolitical and economic situation.

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

Presented below is the effect of interest rate fluctuations on the net result and on net assets as at 31 December 2021 and 31 December 2020:

| | Value at the reporting date | Sensitivity to fluctuations as at 31 December 2021 | |
|---|---|---|---|
| | | +250 bp (PLN) +25 bp (EUR)/ (USD)/(CHF) | -250 bp (PLN) -25 bp (EUR)/ (USD)/(CHF) |
| Loans granted (principal) | 39 517 | 947 | (947) |
| Cash at bank (fair value) | 2 379 927 | 58 113 | (58 113) |
| Lease liabilities (present value) | (125 692) | (1 762) | 1 762 |
| **Gross effect on net result for the period and net assets** | | **57 298** | **(57 298)** |
| Deferred tax | | (10 887) | 10 887 |
| **Gross effect on net result for the period and net assets, total** | | **46 411** | **(46 411)** |

| | Value at the reporting date | Sensitivity to fluctuations as at 31 December 2020 | |
|---|---|---|---|
| | | +25 bp (PLN)/(EUR) (USD)/(CZK) | -25 bp (PLN)(EUR) (USD)/(CZK) |
| Loans granted (principal) | 1 677 | 4 | (4) |
| Cash at bank (fair value) | 1 648 380 | 4 121 | (4 121) |
| Lease liabilities (present value) | (170 457) | (426) | 426 |
| **Gross effect on net result for the period and net assets** | | **3 699** | **(3 699)** |
| Deferred tax | | (703) | 703 |
| **Gross effect on net result for the period and net assets, total** | | **2 996** | **(2 996)** |

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

Valuation of forward contracts does not show sensitivity to parallel fluctuations in interest rates with the exchange rates remaining unchanged.

***Price risk***

The Company is exposed to the price risk relating to increases in prices of the most popular construction materials such as steel products, being among others, reinforcing bars, rails and other steel goods, aggregates, concrete or crude oil derivatives such as petrol, diesel oil, asphalts or fuel oil. The price risk regarding materials purchased on the domestic market is estimated as moderate, while the price risk related to crude oil derivatives and steel goods is assessed as high. The forecast for 2022 for the construction industry entails greater risk due to the geopolitical situation and the high level of inflation. As a result of changes in the prices of raw materials and labour costs, the prices of subcontractor services provided to the Company may change. The prices set forth in investor contracts remain fixed over the entire period of contract execution i.e. most often for the period of 6 – 36 months, while subcontractor contracts are made at a later date, as the work on individual contract progresses. The highest risk of raw material price volatility (increases) exists in the case of public procurements due to the relatively long process of general contractor selection. This applies to the period from bid placing (offer submission) to general contractor selection and contract signing, when concluding contracts with suppliers and securing material prices is not always possible.

In order to limit the incurred price risk, the Company conducts ongoing monitoring of the prices of the most frequently purchased construction materials, and the construction contracts signed have appropriately adjusted parameters relating, among others, to contract duration and value. The Procurement Department operating at the Company negotiates framework agreements with the suppliers of basic construction materials, based on the construction works planned.

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

***Credit risk***

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

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

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

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

No significant credit risk concentration has been identified at the Company, taking into account the fact that its main customer is a government agency *(urząd administracji rządowej).* The Company is not exposed to significant credit risk to one business partner or a group of business partners with similar features. Credit risk relating to liquid assets and derivative financial instruments is limited as the Company's business partners are banks with high credit ratings awarded by reputable international rating agencies.

Except for the data presented in note 46, the value of financial assets recognised in the statement of financial position, before losses, reflects the maximum credit risk exposure of the Company, without taking into account the value of received collaterals and securities.

***Liquidity risk***

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

The maturity structure of lease liabilities has been presented in note 20. The maturity structure of other financial liabilities is presented in the respective notes.

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

## 8. Capital management

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

The Company manages its capital structure and modifies it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Company may return equity to the shareholders, issue new shares or pay out dividend. In 2021 and 2020, no changes were made to the objectives and policies binding in this area.

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

| | **31 December 2021** | **31 December 2020** |
|---|---|---|
| Interest-bearing loans and borrowings and other external sources of finance | 125 692 | 170 457 |
| Trade and other payables | 3 613 438 | 3 297 118 |
| Less: cash and cash equivalents | (2 379 932) | (1 648 390) |
| **Net debt** | **1 359 198** | **1 819 185** |
| Equity | 1 047 860 | 870 058 |
| **Equity and net debt** | **2 407 058** | **2 689 243** |
| **Gearing ratio** | **56.47%** | **67.65%** |

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

## 9. Property, plant and equipment

| | Land & perpetual usufruct to land | | Buildings & constructions | | Plant & machinery | | Means of transport | | Other [tangible] fixed assets | | Construction in progress (AUC) | Prepayment for AUC | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | freehold | leased | own | leased | own | leased | own | leased | own | leased | | | |
| **Gross value as at 1 January 2021** | **2 876** | **7 951** | **15 933** | **42 470** | **155 968** | **165 215** | **21 380** | **74 671** | **45 844** | **4 137** | **300** | **-** | **536 745** |
| **Increases:** | **-** | **5 642** | **1 425** | **12 478** | **58 425** | **1 863** | **3 101** | **12 532** | **3 864** | **-** | **146** | **-** | **99 476** |
| - purchase | - | - | 1 422 | - | 58 218 | - | 3 101 | - | 3 863 | - | - | - | 66 604 |
| - acceptance for use under lease contracts | - | 5 642 | - | 12 477 | - | 1 863 | - | 12 532 | - | - | - | - | 32 514 |
| - transfer from construction in progress | - | - | - | - | 206 | - | - | - | - | - | (206) | - | - |
| - increase in construction in progress | - | - | - | - | - | - | - | - | - | - | 352 | - | 352 |
| - other | - | - | 3 | 1 | 1 | - | - | - | 1 | - | - | - | 6 |
| **Decreases:** | **-** | **(1 083)** | **-** | **(994)** | **(37 091)** | **(46 133)** | **(863)** | **(5 721)** | **(2 940)** | **(40)** | **-** | **-** | **(94 865)** |
| - sale | - | - | - | - | (34 982) | - | (861) | - | (2 029) | - | - | - | (37 872) |
| - liquidation | - | (1 081) | - | (994) | (2 106) | (640) | - | (5 167) | (907) | (40) | - | - | (10 935) |
| - re-purchase of leased assets | - | - | - | - | - | (45 492) | - | (553) | - | - | - | - | (46 045) |
| - other | - | (2) | - | - | (3) | (1) | (2) | (1) | (4) | - | - | - | (13) |
| **Gross value as at 31 December 2021** | **2 876** | **12 510** | **17 358** | **53 954** | **177 302** | **120 945** | **23 618** | **81 482** | **46 768** | **4 097** | **446** | **-** | **541 356** |
| **Accumulated depreciation as at 1 January 2021** | **-** | **(2 136)** | **(7 612)** | **(10 020)** | **(136 506)** | **(72 149)** | **(15 612)** | **(29 499)** | **(34 887)** | **(482)** | **-** | **-** | **(308 903)** |
| **Movements for the period:** | **-** | **(2 349)** | **(1 693)** | **(10 835)** | **(11 580)** | **8 409** | **(1 558)** | **(15 061)** | **(1 779)** | **(1 221)** | **-** | **-** | **(37 667)** |
| - charge for the period (note 3030) | - | (3 419) | (1 688) | (11 551) | (12 129) | (20 843) | (1 960) | (20 455) | (4 257) | (1 250) | - | - | (77 552) |
| - sale | - | - | - | - | 27 070 | - | 861 | - | 1 600 | - | - | - | 29 531 |
| - liquidation | - | 1 069 | - | 717 | 2 087 | 640 | - | 4 933 | 873 | 29 | - | - | 10 348 |
| - re-purchase of leased assets | - | - | - | - | (28 609) | 28 609 | (461) | 461 | - | - | - | - | - |
| - foreign exchange differences | - | - | - | - | - | - | - | - | 3 | - | - | - | 3 |
| - other | - | 1 | (5) | (1) | 1 | 3 | 2 | - | 2 | - | - | - | 3 |
| **Accumulated depreciation as at 31 December 2021** | **-** | **(4 485)** | **(9 305)** | **(20 855)** | **(148 086)** | **(63 740)** | **(17 170)** | **(44 560)** | **(36 666)** | **(1 703)** | **-** | **-** | **(346 570)** |
| **Impairment write-downs as at 1 January 2021** | **(1 677)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(1 677)** |
| - increases | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - decreases | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Impairment write-downs as at 31 Dec 2021** | **(1 677)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(1 677)** |
| **Net value as at 1 January 2021** | **1 199** | **5 815** | **8 321** | **32 450** | **19 462** | **93 066** | **5 768** | **45 172** | **10 957** | **3 655** | **300** | **-** | **226 165** |
| **Net value as at 31 December 2021** | **1 199** | **8 025** | **8 053** | **33 099** | **29 216** | **57 205** | **6 448** | **36 922** | **10 102** | **2 394** | **446** | **-** | **193 109** |

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

| | Land & perpetual usufruct to land | | Buildings & constructions | | Plant & machinery | | Means of transport | | Other [tangible] fixed assets | | Construction in progress (AUC) | Prepayment for AUC | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **freehold** | **leased** | **own** | **leased** | **own** | **leased** | **own** | **leased** | **own** | **leased** | | | |
| **Gross value as at 1 January 2020** | **2 876** | **6 847** | **13 914** | **39 053** | **135 222** | **157 266** | **20 561** | **57 834** | **42 034** | **271** | **1 719** | **89** | **477 686** |
| **Increases:** | **-** | **3 836** | **2 031** | **7 651** | **32 201** | **32 831** | **2 774** | **23 250** | **4 687** | **3 866** | **(1 419)** | **(89)** | **111 619** |
| - purchase | - | - | 885 | - | 32 110 | - | 2 485 | - | 4 580 | - | 5 | - | 40 065 |
| - acceptance for use under lease contracts | - | 3 836 | - | 7 651 | - | 32 831 | - | 23 250 | - | 3 866 | - | - | 71 434 |
| - transfer from construction in progress | - | - | 1 146 | - | 78 | - | 289 | - | - | - | (1 513) | - | - |
| - prepayments settlement | - | - | - | - | - | - | - | - | - | - | 89 | (89) | - |
| - foreign exchange differences | - | - | - | - | 13 | - | - | - | 107 | - | - | - | 120 |
| **Decreases:** | **-** | **(2 732)** | **(12)** | **(4 234)** | **(11 455)** | **(24 882)** | **(1 955)** | **(6 413)** | **(877)** | **-** | **-** | **-** | **(52 560)** |
| - sale | - | - | - | - | (9 761) | - | (1 943) | - | (82) | - | - | - | (11 786) |
| - liquidation | - | (2 732) | (12) | (4 234) | (1 694) | (770) | (12) | (6 333) | (795) | - | - | - | (16 582) |
| - re-purchase of leased assets | - | - | - | - | - | (24 112) | - | (80) | - | - | - | - | (24 192) |
| **Gross value as at 31 December 2020** | **2 876** | **7 951** | **15 933** | **42 470** | **155 968** | **165 215** | **21 380** | **74 671** | **45 844** | **4 137** | **300** | **-** | **536 745** |
| **Accumulated depreciation as at 1 January 2020** | **-** | **(2 065)** | **(6 083)** | **(5 378)** | **(120 634)** | **(67 297)** | **(15 781)** | **(16 536)** | **(30 419)** | **(207)** | **-** | **-** | **(264 400)** |
| **Movements for the period:** | **-** | **(71)** | **(1 529)** | **(4 642)** | **(15 872)** | **(4 852)** | **169** | **(12 963)** | **(4 468)** | **(275)** | **-** | **-** | **(44 503)** |
| - charge for the period (note 30) | - | (2 839) | (1 543) | (9 091) | (8 073) | (24 804) | (1 713) | (19 360) | (5 068) | (275) | - | - | (72 766) |
| - sale | - | - | - | - | 9 750 | - | 1 939 | - | 73 | - | - | - | 11 762 |
| - liquidation | - | 2 732 | 12 | 4 234 | 1 652 | 762 | 7 | 6 333 | 611 | - | - | - | 16 343 |
| - re-purchase of leased assets | - | - | - | - | (19 190) | 19 190 | (64) | 64 | - | - | - | - | - |
| - foreign exchange differences | - | - | - | - | (9) | - | - | - | (84) | - | - | - | (93) |
| - other | - | 36 | 2 | 215 | (2) | - | - | - | - | - | - | - | 251 |
| **Accumulated depreciation as at 31 Dec 2020** | **-** | **(2 136)** | **(7 612)** | **(10 020)** | **(136 506)** | **(72 149)** | **(15 612)** | **(29 499)** | **(34 887)** | **(482)** | **-** | **-** | **(308 903)** |
| **Impairment write-downs as at 1 January 2020** | **(1 677)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(1 677)** |
| - increases | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - decreases | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Impairment write-downs as at 31 Dec 2020** | **(1 677)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(1 677)** |
| **Net value as at 1 January 2020** | **1 199** | **4 782** | **7 831** | **33 675** | **14 588** | **89 969** | **4 780** | **41 298** | **11 615** | **64** | **1 719** | **89** | **211 609** |
| **Net value as at 31 December 2020** | **1 199** | **5 815** | **8 321** | **32 450** | **19 462** | **93 066** | **5 768** | **45 172** | **10 957** | **3 655** | **300** | **-** | **226 165** |

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

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

| | 2021 | 2020 |
|---|---|---|
| Cost of finished goods and services sold | 69 672 | 65 809 |
| Administrative expenses | 7 813 | 6 882 |
| Selling expenses | 67 | 75 |
| **Total (note 30)** | **77 552** | **72 766** |

As at 31 December 2021 and 31 December 2020, there were no collaterals/securities established on property, plant and equipment.

In 2021, the Company received PLN 41 thousand in compensation in respect of those fixed assets that had been impaired or were lost. In 2020, the Company did not receive compensation in respect of such fixed assets.

## 10. Investment property

As at 31 December 2021 and 31 December 2020, the Company did not have any investment property.

## 11. Non-current assets held for sale

As at 31 December 2021 and 31 December 2020, there were no material fixed assets that the Company intended to dispose of in the next 12 months.

## 12. Intangible assets

| | Development costs | Computer software | Intangible assets under construction | Total |
|---|---|---|---|---|
| **Gross value as at 1 January 2021** | **-** | **64 953** | **11 030** | **75 983** |
| **Increases** | **450** | **9 865** | **(1 970)** | **8 345** |
| - purchase | - | 1 607 | - | 1 607 |
| - transfer of advance payments | - | - | 6 738 | 6 738 |
| - settlement of advance payments | 450 | 8 258 | (8 708) | - |
| **Decreases** | **-** | **(1 722)** | **-** | **(1 722)** |
| - liquidation | - | (234) | - | (234) |
| - sale | - | (1 484) | - | (1 484) |
| - foreign exchange differences | - | (3) | - | (3) |
| - other | - | (1) | - | (1) |
| **Gross value as at 31 December 2021** | **450** | **73 096** | **9 060** | **82 606** |
| **Accumulated amortization as at 1 January 2021** | **-** | **(39 806)** | **-** | **(39 806)** |
| **Movements for the period** | **(169)** | **(5 682)** | **-** | **(5 851)** |
| - charge for the period (note 30) | (169) | (6 959) | - | (7 128) |
| - liquidation | - | 234 | - | 234 |
| - sale | - | 1 042 | - | 1 042 |
| - foreign exchange differences | - | 1 | - | 1 |
| **Accumulated amortization as at 31 December 2021** | **(169)** | **(45 488)** | **-** | **(45 657)** |
| **Net value as at 1 January 2021** | **-** | **25 147** | **11 030** | **36 177** |
| **Net value as at 31 December 2021** | **281** | **27 608** | **9 060** | **36 949** |

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

| | Development costs | Computer software | Intangible assets under construction | Total |
|---|---|---|---|---|
| **Gross value as at 1 January 2020** | **-** | **63 670** | **3 036** | **66 706** |
| **Increases** | **-** | **1 349** | **7 994** | **9 343** |
| - purchase | - | 1 129 | - | 1 129 |
| - transfer of advance payments | - | - | 8 134 | 8 134 |
| - settlement of advance payments | - | 140 | (140) | - |
| - foreign exchange differences | - | 80 | - | 80 |
| **Decreases** | **-** | **(66)** | **-** | **(66)** |
| - liquidation | - | (65) | - | (65) |
| - other | - | (1) | - | (1) |
| **Gross value as at 31 December 2020** | **-** | **64 953** | **11 030** | **75 983** |
| **Accumulated amortization as at 1 January 2020** | **-** | **(34 332)** | **-** | **(34 332)** |
| **Movements for the period** | **-** | **(5 474)** | **-** | **(5 474)** |
| - charge for the period (note 30) | - | (5 504) | - | (5 504) |
| - liquidation | - | 57 | - | 57 |
| - foreign exchange differences | - | (27) | - | (27) |
| **Accumulated amortization as at 31 December 2020** | **-** | **(39 806)** | **-** | **(39 806)** |
| **Net value as at 1 January 2020** | **-** | **29 338** | **3 036** | **32 374** |
| **Net value as at 31 December 2020** | **-** | **25 147** | **11 030** | **36 177** |

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

| | 2021 | 2020 |
|---|---|---|
| Cost of finished goods and services sold | 258 | 134 |
| Administrative expenses | 6 754 | 5 250 |
| Selling expenses | 116 | 120 |
| **Total (note 3030)** | **7 128** | **5 504** |

The Company did not report any intangible assets developed internally. Completed development costs include assets purchased and carried out by external research units.

The value of expenditure on research and development recognised in 2021 as a cost amounted to PLN 16 846 thousand (in 2020: PLN 14 910 thousand).

As at 31 December 2021 and 31 December 2020, the Company reported no liens or encumbrances *(obciążenia o charakterze prawnorzeczowym)* or encumbrances obligating to perform a legal act *(obciążenia obligacyjne)* established on its intangible assets. No impairment write-downs against intangible assets were made in the year 2021 or 2020.

## 13. Joint operations

The financial data of Budimex SA as at 31 December 2021 and 31 December 2020 contain balances attributable to the Company due to its share in the following entities which are under common control and which in accordance with IFRS 11 are treated as joint operations (the share of the Company in joint arrangements is recognised as joint operations where the Company has right to its share in the assets and obligations for the liabilities relating to the arrangement):

- Construction and modernization of a sewage treatment plant in Gorzów Wielkopolski *(„Budowa i modernizacja oczyszczalni ścieków w Gorzowie Wielkopolskim”),* realised as part of the Budimex SA - Cadagua SA II s.c. civil-law partnership; the share of Budimex SA in this partnership is 99.9% (contract completed in 2015) – operations of the civil law partnership were terminated in 2020,
- Reconstruction and modernization of the DS-1 runway, taxiways, patrol and fire paths in the Warsaw Chopin Airport *(„Przebudowa i modernizacja drogi startowej DS-1, dróg kołowania, drogi patrolowej i drogi p. poż. w Porcie lotniczym im. Fryderyka Chopina w Warszawie”),* realised as part of the Budimex SA - Ferrovial Agroman SA s.c. civil-law partnership; the share of Budimex SA in this partnership is 99.98% (contract completed in 2011) – operations of the civil law partnership were terminated in 2020,

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

- Construction of the headquarters of Transmission System Operator *(„Budowa siedziby Operatora Systemu Przesyłowego"),* realised as part of the Budimex SA Sygnity SA Sp.j. general partnership; the share Budimex SA in this general partnership is 67% (contract completed in 2009),
- 1st phase of the contract called Design and construction of the A-1 motorway on the section Stryków-Pyrzowice *(„I faza kontraktu „Projekt i budowa Autostrady A-1 na odcinku Stryków – Pyrzowice")* realised as part of the Budimex SA Ferrovial Construccion SA sp.j. general partnership; the share of Budimex SA in this project is 50%,
- Construction of a new power unit in Elektrownia Turów *(„Budowa nowego bloku energetycznego w Elektrowni Turów")* as part of the Budimex SA – Técnicas Reunidas SA – Turów s.c. civil-law partnership; the share of Budimex SA in this project is 50% (contract completed in 2021),
- Modernization of the preliminary ozonation system at Zakład Północny MPWiK *(„Modernizacja instalacji ozonowania wstępnego w Zakładzie Północnym MPWiK")* as part of the Budimex SA – Cadagua SA III s.c. civil-law partnership; the share of Budimex SA in this project was 99.9% (contract completed in 2018),
- Modernization of Zakład Pónocny – phase 2. Modernization of rapid sand filters *(„Modernizacja Zakładu Północnego - etap II. Modernizacja filtrów pośpiesznych piaskowych")* realised as part of the Budimex SA – Cadagua SA IV s.c. civil-law partnership; the share of Budimex SA in this project is 99.9% (contract completed in 2020),
- Modernization of Zakład Pónocny – phase 2. Modernization of pumping station I and II *(„Modernizacja Zakładu Północnego - etap II. Modernizacja pompowni I i II stopnia")* realised as part of the Budimex SA – Cadagua SA V s.c. civil-law partnership; the share of Budimex SA in this project is 99.9%.

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

There are no future investment commitments under these contracts.

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

## 14. Investments in subsidiaries, associates and other entities

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| **Investments in subsidiaries** | **375 648** | **1 047 419** |
| - shares | 375 648 | 1 047 419 |
| **Investments in associates** | **191** | **191** |
| - shares | 191 | 191 |
| **Investments in other entities** | **3 266** | **3 266** |
| - shares in other affiliates (related entities) | 3 173 | 3 173 |
| - shares in other entities | 93 | 93 |
| **Total** | **379 105** | **1 050 876** |

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

As at 31 December 2021 and 31 December 2020, the Company reported no liens or encumbrances *(obciążenia o charakterze prawnorzeczowym)* or encumbrances obligating to perform a legal act *(obciążenia obligacyjne)* established on its investments in subsidiaries, associates or other entities.

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

| Shares | 31 December 2021 | 31 December 2020 |
|---|---|---|
| **Balance at the beginning of the period** | **1 050 876** | **1 046 770** |
| **Increases:** | **47 889** | **5 225** |
| - purchase / capital increase / contribution to newly established entities | 47 889 | 5 225 |
| **Decreases:** | **(719 660)** | **(1 119)** |
| - disposal of shares (note 34) | (717 519) | - |
| - impairment write-down (loss of value) (note 33) | (2 141) | (1 119) |
| **Total** | **379 105** | **1 050 876** |

The balance of impairment write-downs against shares as at 31 December 2021 amounted to PLN 20 718 thousand, while as at 31 December 2020 - PLN 18 627 thousand.

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

In addition, due to the identification of impairment indicators of investments during 2021, impairment write-downs were recognised for the value of shares in the following subsidiary companies: Budimex Most Wschodni SA - PLN 349 thousand, Budimex A Sp. z o.o. - PLN 240 thousand, Budimex PPP SA - PLN 434 thousand, Budimex C Sp. z o.o. - PLN 244 thousand, Budimex D Sp. z o.o. - PLN 243 thousand, Budimex F Sp. z o.o.- PLN 178 thousand, Budimex H Sp. z o.o. - PLN 146 thousand, Budimex I Sp. z o.o. - PLN 148 thousand, Budimex J Sp. z o.o. - PLN 77 thousand, Budimex K Sp. z o.o.- PLN 31 thousand, ConVentures Sp. z o.o. - PLN 51 thousand.

**Increase in the issued capital of subsidiary companies**

During 2021, the issued capital in Budimex Kolejnictwo SA was increased by the amount of PLN 44 000 thousand, Budimex A Sp. z o.o., Budimex C Sp. z o.o., Budimex D Sp. z o.o., by the amount of PLN 35 thousand in each company, in Budimex F Sp. z o.o. and Budimex J Sp. z o.o. by the amount of PLN 45 thousand in each company, in Budimex H Sp. z o.o. and Budimex I Sp. z o.o. by the amount of PLN 15 thousand in each company, in Budimex K Sp. z o.o. by PLN 30 thousand and in Budimex Most Wschodni SA by PLN 75 thousand. In addition, during the year, contributions were made to the new company, Budimex Slovakia s.r.o., in the amount of PLN 23 thousand and Budimex Construction Prague s.r.o. in the amount of PLN 36 thousand, and ASI 1 Conventures Sp. z o.o. SKA in the amount of PLN 3 000 thousand.

On 24 May 2021, the Company sold all shares in the amount of PLN 717 519 thousand in the subsidiary Budimex Nieruchomości Sp. z o.o. (note 34).

As at 31 December 2021, the balance of Investments in subsidiary companies included contributions to the issued capital of the subsidiary company, Budimex Most Wschodni SA, in the amount of PLN 500 thousand, which were not registered in the National Court Register.

**Shares in other non-related entities as at 31 December 2021 and 31 December 2020**

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

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

**SHARES IN AFFILIATES as at 31 December 2021**

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

* Budimex Slovakia s.r.o. was registered in the relevant registry court on 17 September 2021.

** Budimex Construction Prague s.r.o. was registered in the relevant registry court on 2 September 2021.

***The company was registered in the National Court Register on 17 March 2021.

****On 15 December 2021, the Shareholders of Budimex SA Ferrovial Construccion SA sp. j. adopted a resolution to reduce the amount of the contribution made to the Company to the amount of PLN 5 thousand. This reduction was not registered in the National Court Register as at 31 December 2021.

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

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

**SHARES IN AFFILIATES as at 31 December 2020**

| Entity name | Registered office | Business activity | Type of equity relation | Value of shares at acquisition cost | Impairment adjustment (total) | Carrying amount of shares | Percentage of issued capital held | Share in total number of votes at general meeting |
|---|---|---|---|---|---|---|---|---|
| Budimex Nieruchomości Sp. z o.o. | Warsaw | development business | subsidiary | 717 519 | - | 717 519 | 100.00% | 100.00% |
| FBSerwis SA | Warsaw | municipal waste management | subsidiary | 296 667 | - | 296 667 | 100.00% | 100.00% |
| Budimex Kolejnictwo SA | Warsaw | construction | subsidiary | 19 001 | (5 054) | 13 947 | 100.00% | 100.00% |
| Mostostal Kraków SA | Cracow | production and assembly of steel structures | subsidiary | 11 156 | - | 11 156 | 100.00% | 100.00% |
| Budimex Budownictwo Sp. z o.o. | Warsaw | construction | subsidiary | 1 810 | - | 1 810 | 100.00% | 100.00% |
| Budimex PPP SA | Warsaw | construction | subsidiary | 1 395 | - | 1 395 | 100.00% | 100.00% |
| Budimex Most Wschodni SA | Warsaw | construction | subsidiary | 412 | - | 412 | 100.00% | 100.00% |
| Budimex A Sp. z o.o. | Warsaw | construction | subsidiary | 250 | - | 250 | 100.00% | 100.00% |
| Budimex C Sp. z o.o. | Warsaw | construction | subsidiary | 253 | - | 253 | 100.00% | 100.00% |
| Budimex D Sp. z o.o. | Warsaw | construction | subsidiary | 252 | - | 252 | 100.00% | 100.00% |
| Budimex F Sp. z o.o. | Warsaw | construction | subsidiary | 177 | - | 177 | 100.00% | 100.00% |
| Budimex H Sp. z o.o. | Warsaw | construction | subsidiary | 176 | - | 176 | 100.00% | 100.00% |
| Budimex I Sp. z o.o. | Warsaw | construction | subsidiary | 176 | - | 176 | 100.00% | 100.00% |
| Budimex J Sp. z o.o. | Warsaw | construction | subsidiary | 76 | - | 76 | 100.00% | 100.00% |
| Budimex K Sp. z o.o. | Warsaw | construction | subsidiary | 50 | - | 50 | 100.00% | 100.00% |
| ConVentures Sp. z o.o. | Warsaw | investment fund management | subsidiary | 100 | - | 100 | 100.00% | 100.00% |
| Budimex Bau GmbH | Cologne | construction | subsidiary | 120 | - | 120 | 100.00% | 100.00% |
| Budimex Parking Wrocław Sp. z o.o. | Warsaw | car park management | subsidiary | 2 883 | - | 2 883 | 51.00% | 51.00% |
| **Total subsidiaries** | | | | **1 052 473** | **(5 054)** | **1 047 419** | | |
| Promos Sp. z o.o. | Cracow | industrial services | associate | 191 | - | 191 | 26.31% | 26.31% |
| **Total associates** | | | | **191** | **-** | **191** | | |
| Budimex SA Cadagua SA III s.c. | Warsaw | construction | jointly controlled | - | - | - | 99.90% | 99.90% |
| Budimex SA Cadagua SA IV s.c. | Warsaw | construction | jointly controlled | - | - | - | 99.90% | 99.90% |
| Budimex SA Cadagua SA V s.c. | Warsaw | construction | jointly controlled | - | - | - | 99.90% | 99.90% |
| Budimex SA Ferrovial Agroman SA 2 s.c. | Warsaw | construction | jointly controlled | - | - | - | 95.00% | 95.00% |
| Budimex SA Sygnity SA sp.j. | Warsaw | construction | jointly controlled | - | - | - | 67.00% | 67.00% |
| Budimex SA Ferrovial Construccion SA sp.j. | Warsaw | construction | jointly controlled | - | - | - | 50.00% | 50.00% |
| Budimex SA Tecnicas Reunidas SA - Turów s.c. | Warsaw | construction | jointly controlled | - | - | - | 50.00% | 50.00% |
| **Total jointly controlled** | | | | **-** | **-** | **-** | | |
| Autostrada Południe SA | Warsaw | construction and operation of motorways | other related | 4 292 | (1 119) | 3 173 | 5.05% | 5.05% |
| Inversora de Autopistas del Levante S.L. | Madrid | construction and operation of motorways | other related | 12 404 | (12 404) | - | 3.16% | 3.16% |
| **Total other related entities** | | | | **16 696** | **(13 523)** | **3 173** | | |
| **Total** | | | | **1 069 360** | **(18 577)** | **1 050 783** | | |

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

## 15. Other financial assets/ financial liabilities

| | | Note | 31 December 2021 | 31 December 2020 |
|---|---|---|---|---|
| **FINANCIAL ASSETS** | | | | |
| **Financial assets measured at amortized cost** | | | | |
| Retentions for construction contracts | | 27 | 171 640 | 125 307 |
| Valuation of construction contracts | | 25 | 699 701 | 580 227 |
| Trade and other receivables* | | 16 | 960 012 | 747 945 |
| Other financial assets (loans granted) | | 15.2 | 39 557 | 1 773 |
| **Financial assets at fair value through profit or loss (FVPL)** | | | | |
| Cash and cash equivalents | *level 2 of the fair value hierarchy according to IFRS 13* | 18 | 2 379 932 | 1 648 390 |
| Other financial assets (derivative financial instruments) | *level 2 of the fair value hierarchy according to IFRS 13* | 15.1 | 1 170 | 1 396 |
| Investments in other entities *(shares in other non-related entities)* | *level 3 of the fair value hierarchy according to IFRS 13* | 14 | 93 | 93 |
| **Balance at the end of the period** | | | **4 252 105** | **3 105 131** |

| | | Note | 31 December 2021 | 31 December 2020 |
|---|---|---|---|---|
| **FINANCIAL LIABILITIES** | | | | |
| **Financial liabilities measured at amortised cost** | | | | |
| Trade and other payables** | | 21 | 1 006 624 | 1 070 055 |
| Retentions for construction contracts | | 27 | 427 365 | 426 027 |
| Loans and borrowings and other external sources of finance | | 20 | 125 692 | 170 457 |
| **Liabilities measured at fair value through profit or loss (FVPL)** | | | | |
| Other financial liabilities (derivative financial instruments) | *level 2 of the fair value hierarchy according to IFRS 13* | 15.1 | 3 789 | 230 |
| **Balance at the end of the period** | | | **1 563 470** | **1 666 769** |

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

In the 12-month periods ended 31 December 2021 and 31 December 2020, there were no movements between Level 1 and Level 2 of the fair value hierarchy, and there were no movements from/ to Level 3 of this hierarchy.

Investments in other entities (shares in other non-related entities) classified to Level 3 of the fair value hierarchy are measured at historical cost (see note 14).

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

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

For the period from 1 January 2021 to 31 December 2021:

| | Financial assets measured at fair value through profit or loss (FVPL) from initial recognition | Financial assets measured at amortized cost | Financial liabilities measured at fair value through profit or loss (FVPL) from initial recognition | Financial liabilities measured at amortized cost | Total |
|---|---|---|---|---|---|
| Interest income /(expense) (note 33) | 2 139 | 977 | - | (1 164) | **1 952** |
| Foreign exchange gains /(losses) (note 33) | 437 | (405) | - | 152 | **184** |
| Reversal/ (recognition) of impairment write-downs (note 32,33) | (2 141) | 8 349 | - | - | **6 208** |
| Statute-barred liabilities written-off (note 32) | - | - | - | 5 517 | **5 517** |
| Valuation gains/(losses) | (241) | (3 042) | (3 544) | 3 003 | **(3 824)** |
| Gains /(losses) on disposal/ realization of financial instruments | 782 | - | 169 | - | **951** |
| **Total** | **976** | **5 879** | **(3 375)** | **7 508** | **10 988** |

For the period from 1 January 2020 to 31 December 2020:

| | Financial assets measured at fair value through profit or loss (FVPL) from initial recognition | Financial assets measured at amortized cost | Financial liabilities measured at fair value through profit or loss (FVPL) from initial recognition | Financial liabilities measured at amortized cost | Total |
|---|---|---|---|---|---|
| Interest income /(expense) (note 33) | 5 952 | 16 786 | - | (1 139) | **21 599** |
| Foreign exchange gains /(losses) (note 33) | 6 693 | 307 | - | (6 361) | **639** |
| Reversal/ (recognition) of impairment write-downs (note 32,33) | (1 119) | (6 490) | - | - | **(7 609)** |
| Statute-barred liabilities written-off (note 32) | - | - | - | 3 198 | **3 198** |
| Valuation gains/(losses) | 2 172 | 1 071 | (614) | (3 964) | **(1 335)** |
| Gains /(losses) on disposal/ realization of financial instruments | 382 | - | 1 449 | - | **1 831** |
| **Total** | **14 080** | **11 674** | **835** | **(8 266)** | **18 323** |

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

### 15.1 Derivative financial instruments

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

Derivative financial instruments (derivatives) are measured at the reporting date at a reliably determined fair value. Fair value of derivatives is estimated using the model based, among others, on currency exchange rates (closing rates) prevailing on the reporting date and on differences in interest rates of the quotation and base currencies.

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

The fair value and changes in the valuation of transactions concluded by the Company and open as at 31 December 2021 and 31 December 2020 are presented in the table below:

| | **Financial assets arising from derivatives valuation** | | **Financial liabilities arising from derivatives valuation** | |
|---|---|---|---|---|
| | **31 December 2021** | **31 December 2020** | **31 December 2021** | **31 December 2020** |
| **FX forward contracts, of which:** | 1 170 | 1 396 | 3 789 | 230 |
| *– up to 1 year* | *1 149* | *1 396* | *2 168* | *230* |
| *– 1 – 2 years* | *21* | *-* | *1 621* | *-* |
| **FX forward contracts** | **1 170** | **1 396** | **3 789** | **230** |

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

The total nominal absolute value of FX Forward as at 31 December 2020 was EUR 17 240 thousand and CZK 19 962 thousand.

The forward sell/ buy rate for the transactions open as at 31 December 2021 ranged between EUR/PLN 4.5045 – 4.7778 and CHF/PLN 4.4634 – 4.5638 (as at 31 December 2020, they were in the range of EUR/PLN 4.3970 – 4.5987. CZK/PLN 0.1683).

EUR-based forward transactions open as at 31 December 2021 are to be settled within 27 to 545 days, while as at 31 December 2020 – within 28 to 298 days.

CHF-based forward transactions open as at 31 December 2021 are to be settled within 27 to 209 days, while as at 31 December 2020 there were no transactions in CHF.

CZK-based forward transaction open as at 31 December 2020 is to be settled within 28 days, while as at 31 December 2021 there were no open forward transactions concluded in CZK.

As at 31 December 2021 and 31 December 2020, the Company *did not* apply hedge accounting.

#### Gains/ (losses) on derivative financial instruments

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

| | **2021** | **2020** |
|---|---|---|
| Gains/ (losses) on valuation of FX forward contracts | (3 785) | 1 558 |
| Gains / (losses) on realisation of FX forward contracts | 951 | 1 831 |
| **Total gains / (losses) on derivative financial instruments recognised as part of operating activities (note 32)** | **(2 834)** | **3 389** |

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

### 15.2 Loans granted

| **Loans granted – long-term** | **31 December 2021** | **31 December 2020** |
|---|---|---|
| **Opening balance** | **1 773** | **2 038** |
| **Increases:** | **80 576** | **76** |
| - loans granted | 80 000 | - |
| - accrued interest (note 33) | 576 | 76 |
| **Decreases:** | **(44 657)** | **(341)** |
| - loans repayment | (44 000) | - |
| - loan interest repayment | (657) | (341) |
| **Total** | **37 692** | **1 773** |

| **Loans granted – short-term** | **31 December 2021** | **31 December 2020** |
|---|---|---|
| **Opening balance** | **-** | **3 331** |
| **Increases:** | **1 865** | **15 005** |
| - loans granted | 1 834 | 15 000 |
| - accrued interest (note 33) | 25 | 5 |
| - foreign exchange differences | 6 | - |
| **Decreases:** | **-** | **(18 336)** |
| - loans repayment | - | (15 043) |
| - loan interest repayment | - | (3 293) |
| **Total** | **1 865** | **-** |

As at 31 December 2021, the balance of long-term loans granted included the following items:

- loan granted to Budimex Parking Wrocław Sp. z o.o. (subsidiary of Budimex SA) based on a loan agreement of 19 December 2012. As at 31 December 2021, the value of issued loan tranches was PLN 1 677 thousand, while accrued interest amounted to PLN 15 thousand. Loan effective interest rate in 2021 was 3.48%, while in 2020 – 3.27%. Loan maturity date was set at 19 December 2032.
- loan granted to Budimex Kolejnictwo SA (subsidiary of Budimex SA) based on a loan agreement of 22 February 2021. The value of the loan granted was PLN 80 000 thousand. On 4 March 2021, Budimex Kolejnictwo SA repaid PLN 44 000 thousand. As at 31 December 2021, the value of the outstanding loan was PLN 36 000 thousand. The value of interest accrued during the year on the loan was PLN 521 thousand. The interest was repaid in full in 2021. Loan effective interest rate in 2021 was 2.38%. Loan maturity date was set at 31 December 2029.

As at 31 December 2021, the balance of short-term loans granted included the following items:

- loan granted to Budimex Bau GmbH (subsidiary of Budimex SA) based on a loan agreement of 10 August 2021. As at 31 December 2021, the value of loan funds issued amounted to EUR 400 thousand (PLN 1 840 thousand), while the accrued interest amounted to EUR 5 thousand (PLN 25 thousand). Loan effective interest rate in 2021 was 3.45%. Loan maturity date was set at 28 February 2022 and was then extended until 30 September 2022.

The fair value of granted loans approximates their carrying amount.

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

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

### 15.3 Investments in debt instruments

Investments in debt instruments comprised solely short-term unlisted bonds of Polish banks holding long-term investment rating.

| | 2021 | 2020 |
|---|---|---|
| **Opening balance** | **-** | **119 721** |
| **Increases:** | **-** | **270 279** |
| – purchase | - | 269 079 |
| – accrued interest (note 33) | - | 1 200 |
| **Decreases:** | **-** | **(390 000)** |
| – bonds redemption | - | (388 667) |
| – interest payment | - | (1 333) |
| **Closing balance** | **-** | **-** |
| *of which:* | | |
| *– long-term* | - | - |
| *– short-term* | - | - |

The fair value of bonds approximated the value presented in the statement of financial position as these were short-term items. Investments in debt instruments were classified as financial assets measured at amortized cost.

As at 31 December 2021 and as at 31 December 2020, the Company had no investments in debt instruments.

## 16. Trade and other receivables

| Long-term trade and other receivables | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Prepayments and accruals | 27 462 | 27 944 |
| **Total receivables, net** | **27 462** | **27 944** |
| Impairment write-downs | - | - |
| **Total receivables, gross** | **27 462** | **27 944** |

| Short-term trade and other receivables | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Trade receivables | 943 796 | 738 133 |
| Advanced payments made | 29 692 | 21 294 |
| Prepayments and accruals | 25 566 | 26 435 |
| Taxation and social security debtors | 14 084 | - |
| Other receivables | 16 216 | 9 812 |
| **Total receivables, net** | **1 029 354** | **795 674** |
| Impairment write-downs | 86 180 | 98 727 |
| **Total receivables, gross** | **1 115 534** | **894 401** |

No credit risk concentration in respect of trade receivables was identified due to the fact that the main customers of the Company are government administration offices or state-owned companies implementing government infrastructure investment programs. Trade receivables from the 5 contractors with the largest balances as at 31 December 2021 amounted to a total of PLN 694 085 thousand and accounted for 73.54% of the total value of trade receivables:

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

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

Trade receivables from the 5 contractors with the largest balances as at 31 December 2020 amounted to a total of PLN 455 587 thousand and accounted for 61.72% of the total value of trade receivables:

| | balance | % share |
|---|---|---|
| Contractor 1 | 143 508 | 19.44% |
| Contractor 2 | 141 976 | 19.24% |
| Contractor 3 | 77 599 | 10.51% |
| Contractor 4 | 57 085 | 7.73% |
| Contractor 5 | 35 419 | 4.80% |
| Other | 282 546 | 38.28% |
| **Total trade receivables** | **738 133** | **100.00%** |

Prepayments mainly include guarantee and insurance costs paid in advance.

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

As at 31 December 2021 and 31 December 2020, no securities or collaterals were established on these assets.

| Impairment write-downs against receivables | 31 December 2021 | 31 December 2020 |
|---|---|---|
| **Impairment write-downs against receivables – opening balance** | **98 727** | **125 547** |
| **Increases:** | **5 065** | **19 677** |
| - doubtful and overdue receivables (note 32) | 5 065 | 19 233 |
| - valuation of impairment balances at a foreign operation | - | 444 |
| **Decreases:** | **(17 612)** | **(46 497)** |
| - debtor repayments (note 32) | (13 611) | (13 418) |
| - write-off of impaired receivables | (3 944) | (33 079) |
| - valuation of impairment balances at a foreign operation | (57) | - |
| **Impairment write-downs against receivables – closing balance** | **86 180** | **98 727** |

Impairment write-downs against trade and other receivables have been measured at the amount of lifetime expected credit losses of the given financial asset.

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

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

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

For the above groups of receivables, a portfolio analysis was performed and a simplified matrix was used for the impairment write-downs in individual receivable ageing categories, based on the receivables' lifetime expected credit losses calculated using the indexes of impairment write-downs in the individual categories determined using the 2017-2021 historical data.

1. In the analysed period, on average more than 77% of sales was realised to the public sector companies, including in a significant part to the state-owned companies. Given the fact that the Company does not assume any significant change in the realized sales structure, and the level of impairment write-downs against past due receivables from these entities was approx. 0.1%, the credit risk for this portfolio was assessed as insignificant.

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

2. Receivables from private contractors incur the highest credit risk. However, the preventive credit risk control policy applied by Budimex SA minimizes the level of non-performing receivables also in this part of the portfolio. The average for the last 5 years shows that the level of impairment write-downs approximated 0.1% of portfolio receivables.
3. Receivables from other contractors incur higher credit risk, but due to their marginal share in total receivables (of approx. 6.2%, and approx. 0.4% share in total sales) and the adopted policy for their valuation and re-valuation at the time of origination based on expected cash flows and held securities (guarantees and retentions to be set-off against), they also do not have any significant impact on risk assessments in the future.

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

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

The cost of receivables impairment write-down is analyzed over the entire lifetime of these assets, while accounting for the fact that the update of value does not mean taking decision to discontinue debt recovery, but merely proves prudency in the approach to financial assets valuation.

As at 31 December 2021, all overdue other receivables in the amount of PLN 32 843 thousand were classified to the category of receivables whose credit risk significantly increased.

As at 31 December 2021, the total impairment write-down in the amount of expected credit losses was PLN 86 180 thousand (PLN 98 727 thousand as at 31 December 2020).

***Ageing analysis of trade receivables***

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| **Trade receivables due and receivable in:** | | |
| - up to 1 month | 439 297 | 591 147 |
| - 1 – 3 months | 402 497 | 82 990 |
| - 3 - 6 months | - | 7 |
| - 6 months – 1 year | 39 113 | 21 021 |
| - above 1 year | - | - |
| - overdue trade receivables | 116 226 | 108 852 |
| **Trade receivables, gross** | **997 133** | **804 017** |
| Impairment write-downs | 53 337 | 65 884 |
| **Trade receivables, net** | **943 796** | **738 133** |

The Company's exposure to credit risk in relation to trade receivables is presented in the table below:

| | **Short-term trade receivables as at 31 December 2021** | | | | | | |
|---|---|---|---|---|---|---|---|
| | | **overdue for** | | | | | |
| | **current** | **1-30 days** | **31-90 days** | **91-180 days** | **181-365 days** | **>365 days** | **Total** |
| Risk of default* | 0.14% | 2.32% | 19.58% | 6.83% | 3.52% | 70.29% | |
| Gross value of risk-exposed receivables (gross value at risk) | 880 907 | 9 919 | 4 745 | 6 945 | 24 013 | 70 604 | **997 133** |
| ECL allowance | 1 233 | 230 | 929 | 474 | 845 | 49 626 | **53 337** |

| | **Short-term trade receivables as at 31 December 2020** | | | | | | |
|---|---|---|---|---|---|---|---|
| | | **overdue for** | | | | | |
| | **current** | **1-30 days** | **31-90 days** | **91-180 days** | **181-365 days** | **>365 days** | **Total** |
| Risk of default* | 0.77% | 2.25% | 20.46% | 80.95% | 53.71% | 68.67% | |
| Gross value of risk-exposed receivables (gross value at risk) | 695 164 | 12 348 | 9 990 | 4 858 | 11 996 | 69 661 | **804 017** |
| ECL allowance | 5 353 | 277 | 2 044 | 3 933 | 6 443 | 47 834 | **65 884** |

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

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

## 17. Inventories

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Raw materials | 403 167 | 408 447 |
| Semi-finished goods and work in progress | 358 | 15 427 |
| **Inventories net value – closing balance** | **403 525** | **423 874** |
| Inventory impairment write-downs – closing balance | 7 480 | 7 075 |
| **Inventories gross value – closing balance** | **411 005** | **430 949** |

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

**Inventory impairment write-downs**

| | 2021 | 2020 |
|---|---|---|
| **Inventory impairment write-downs – opening balance** | **7 075** | **3 781** |
| Charged to other operating expenses (note 32) | 652 | 3 679 |
| Reversal of the write-down - other operating income (note 32) | (247) | - |
| Reversal – reduction of the cost of products and services sold | - | (365) |
| Utilisation | - | (20) |
| **Inventory impairment write-downs – closing balance** | **7 480** | **7 075** |

As at 31 December 2021 and 31 December 2020, there were *no* liens or encumbrances *(obciążenia o charakterze prawnorzeczowym)* or encumbrances obligating to perform a legal act *(obciążenia obligacyjne)* established on the Company's inventories. The Company also *did not* have any interest capitalised in inventories.

As at 31 December 2021 and 31 December 2020, the expected period of all inventory stocks utilization did not exceed 12 months.

## 18. Cash and cash equivalents

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Cash on hand | 5 | 10 |
| Cash at bank | 2 378 972 | 1 648 077 |
| – current accounts | 242 945 | 152 178 |
| – overnight (one-day) deposits | 527 | 49 699 |
| – other deposits | 2 135 500 | 1 446 200 |
| Other cash equivalents (interest) | 955 | 303 |
| **Total cash and cash equivalents** | **2 379 932** | **1 648 390** |
| Cash and cash equivalents of restricted use | (22 349) | (4 180) |
| **Cash recognised in the statement of cash flows** | **2 357 583** | **1 644 210** |

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

Short-term bank deposits and highly liquid investments included in cash and cash equivalents comprise mainly "overnight" deposits and short-term deposits with a maturity period of 20-133 days with an average effective interest rate as at 31 December 2021 of 0.91% per annum for PLN-based deposits (as at 31 December 2020: 0.08% p.a. for PLN-based deposits). The average maturity period for these deposits is 50 days (31 December 2020: 143 days).

In 2021, the Company acquired cash and cash equivalents with a value of PLN 2 524 thousand following guarantee realization (in 2020: PLN 11 028 thousand).

## 19. Equity

The issued capital of the Company consists of 25 530 098 shares with a total value of PLN 127 650 thousand. The structure of the issued capital of the Company as at 31 December 2021 is as follows:

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

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

The number of shares making up authorised issued capital equates to the number of issued shares. The nominal value of one share in PLN 5. The Company does not hold treasury shares. No shares were reserved for the purpose of share issuance related to the exercise of options or realization of sale contracts.

At the date of transition to IFRSs, the Company adjusted the value of issued capital and of share premium for the period, in which Polish economy was hyperinflationary. The effects of restatement and reconciliation of balances shown in the books of account and corporate records of the Company as at 31 December 2021 and 31 December 2020 and the balances recognised in the financial statements are presented in the table below.

| **Issued capital** | **31 December 2021** | **31 December 2020** |
|---|---|---|
| **Issued capital as per National Court Register (KRS)** | **127 650** | **127 650** |
| Restatement of equity due to hyperinflation | 18 198 | 18 198 |
| **Value reported in the financial statements** | **145 848** | **145 848** |

| **Share premium** | **31 December 2021** | **31 December 2020** |
|---|---|---|
| **Value as per books of account** | **78 119** | **78 119** |
| Restatement of equity due to hyperinflation | 2 080 | 2 080 |
| **Value reported in the financial statements** | **80 199** | **80 199** |

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

| **Other reserves** | **31 December 2021** | **31 December 2020** |
|---|---|---|
| Created in accordance with articles of association | 42 550 | 42 550 |
| Created in accordance with articles of association in excess of minimum statutory amounts – from revaluation | 4 241 | 4 241 |
| Actuarial gains/ (losses) | (438) | (5 498) |
| Share-based payments (note 38) | 7 171 | 7 171 |
| Other | 1 529 | 1 529 |
| **Total** | **55 053** | **49 993** |

| **Retained earnings/ (losses)** | **31 December 2021** | **31 December 2020** |
|---|---|---|
| Retained earnings representing reserve capital | 161 668 | 161 173 |
| Retained earnings representing other reserves (note 36) | - | 116 306 |
| Result for the current year | 979 633 | 310 541 |
| Interim dividend payment (note 36) | (380 398) | - |
| **Total** | **760 903** | **588 020** |

## 20. Loans and borrowings and other external sources of finance

| | **31 December 2021** | **31 December 2020** |
|---|---|---|
| **Non-current** | | |
| Lease liabilities | 71 278 | 108 191 |
| | **71 278** | **108 191** |
| **Current** | | |
| Lease liabilities | 54 414 | 62 266 |
| | **54 414** | **62 266** |
| **Total** | **125 692** | **170 457** |

### 20.1 Bank loans and borrowings

As at 31 December 2021 and 31 December 2020, the Company had concluded overdraft facility agreements with banks, which at the reporting date were not utilised.

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

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

### 20.2 Lease liabilities

The Company signed lease contracts for financing all classes of property, plant and equipment, mainly plant and machinery, and means of transport. Leased assets were made available for the period from 13 months (construction site offices) to 1 200 months (perpetual usufruct). After the completion of the original lease term and after discharging its liabilities, the Company will have the right to acquire some of the leased assets for the price equating their residual value. The contractual liabilities are partly secured with a blank promissory note issued by the Company together with a written authorisation for its drawing.

***Ageing analysis of lease liabilities***

| 31 December 2021 | Present value of lease payments | Undiscounted value of contractual cash flows |
|---|---|---|
| – less than 1 year | 54 414 | 57 179 |
| – 1 – 3 years | 58 008 | 59 667 |
| – 3 – 5 years | 10 877 | 11 143 |
| – above 5 years | 2 393 | 5 342 |
| | **125 692** | **133 331** |
| **31 December 2020** | **Present value of lease payments** | **Undiscounted value of contractual cash flows** |
| – less than 1 year | 62 266 | 65 746 |
| – 1 – 3 years | 81 534 | 84 413 |
| – 3 – 5 years | 21 430 | 22 023 |
| – above 5 years | 5 227 | 8 257 |
| | **170 457** | **180 439** |

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

### 20.3 Interest rate risk

The effective interest rates as at 31 December 2021 and 31 December 2020 were as follows:

| | 31 December 2021 | | 31 December 2020 | |
|---|---|---|---|---|
| | PLN | EUR | PLN | EUR |
| Lease liabilities | 1.85%-3.41% | 0.84% | 1.58% | 0.84% |

## 21. Trade and other payables

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Trade liabilities | 140 754 | 198 521 |
| Un-invoiced costs | 546 501 | 580 994 |
| Taxation and social security (ZUS) creditors | 90 017 | 41 390 |
| Payroll | 6 709 | 5 448 |
| Accrued expenses | 372 258 | 333 416 |
| Other liabilities | 1 380 | 2 200 |
| **Total liabilities** | **1 157 619** | **1 161 969** |

| Accrued expenses | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Cost of unpaid bonus | 260 849 | 236 858 |
| Cost of unused annual leave | 51 811 | 48 234 |
| Costs of realised construction contracts completion | 55 587 | 44 481 |
| Other | 4 011 | 3 843 |
| **Total** | **372 258** | **333 416** |

All trade and other payables as at 31 December 2021 and 31 December 2020 were recognised under current liabilities as they will be settled during the Company's normal operating cycle.

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

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

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

## 22. Income tax

| Deferred tax assets | 31 December 2021 | 31 December 2020 |
|---|---|---|
| – to be realised after 12 months | 202 089 | 101 816 |
| – to be realised within 12 months | 595 395 | 563 156 |
| **Total** | **797 484** | **664 972** |
| Offsetting | (170 680) | (167 292) |
| **Deferred tax assets, after set-off** | **626 804** | **497 680** |

| Deferred tax liabilities | 31 December 2021 | 31 December 2020 |
|---|---|---|
| – to be utilised after 12 months | 21 690 | 28 529 |
| – to be utilised within 12 months | 148 990 | 138 763 |
| **Total** | **170 680** | **167 292** |
| Offsetting | (170 680) | (167 292) |
| **Deferred tax liabilities, after set-off** | **-** | **-** |

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

| | 2021 | 2020 |
|---|---|---|
| **Balance at the beginning of the year** | **497 680** | **382 864** |
| Credit/ (charge) to financial result | 130 311 | 114 541 |
| Credit/ (charge) to other comprehensive income | (1 187) | 275 |
| **Balance at the end of the year** | **626 804** | **497 680** |

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

As at 31 December 2021, deductible temporary differences and carry-forward of unused tax losses for which no deferred tax asset was recognised in the statement of financial position amounted to PLN 238 555 thousand (the value of deferred tax asset - PLN 45 325 thousand) and related to impairment write-downs against receivables and tax losses incurred in Lithuania. The reason for non-recognition of a deferred tax asset is that the probability of non-recovery of debts that exists under Polish tax law is rather remote as well as the lack of taxable income in Lithuania. Deductible temporary differences and carry-forward of unused tax losses expire in 2022.

As at 31 December 2020, deductible temporary differences and carry-forward of unused tax losses for which no deferred tax asset was recognised in the statement of financial position amounted to PLN 195 801 thousand (the value of deferred tax asset amounted to PLN 30 880 thousand) and related to impairment write-downs against receivables and tax losses in Lithuania.

| | 2021 | 2020 |
|---|---|---|
| Current tax | 294 927 | 217 233 |
| Deferred tax | (130 311) | (114 541) |
| Adjustments to prior periods current income tax | (436) | (7 391) |
| **Tax expense/ (tax income)** | **164 180** | **95 301** |

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

| **Current tax** | **2021** | **2020** |
|---|---|---|
| Gross profit/ (loss) | 1 143 813 | 405 842 |
| Difference between accounting gross profit/ (loss) and taxable base (by title): | 398 824 | 736 365 |
| – *permanent differences between gross profit and taxable income* | *(200 516)** | *(47 361)* |
| – *temporary differences between gross profit and taxable income* | *681 615* | *642 028* |
| – *tax losses (profits) of foreign operations* | *(82 275)* | *141 698* |
| Taxable base | 1 542 637 | 1 142 207 |
| Income tax at binding rate of 19% | 293 101 | 217 019 |
| Income tax on profits earned abroad | 3 189 | 2 316 |
| Income tax on industrial and commercial business in Germany | 1 934 | 1 415 |
| Tax increases, waivers, exemptions, deductions and reductions | (3 297) | (3 517) |
| **Current tax** | **294 927** | **217 233** |

**permanent differences included primarily received dividends*

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

| | **2021** | **2020** |
|---|---|---|
| **Pre-tax profit/ (loss)** | **1 143 813** | **405 842** |
| Tax calculated using domestic tax rates | 217 324 | 77 110 |
| Differences in taxation of revenues of foreign operations | (3 125) | 5 803 |
| Adjustments to prior periods current income tax | (436) | (7 391) |
| Tax effects of permanent differences between gross profit and taxable income | (38 098) | (8 999) |
| Deductible temporary differences, carry-forward of unused tax losses and carry-forward of unused tax credits for which no deferred tax assets were recognised in the statement of financial position | - | 30 880 |
| Tax expense/ (tax income) calculated with respect to industrial and commercial business operations in Germany | 1 934 | 1 415 |
| Utilization of unrecognized tax losses or prior period deductible temporary differences | (10 122) | - |
| Other | (3 297) | (3 517) |
| **Tax expense/ (tax income)** | **164 180** | **95 301** |
| *Effective tax rate* | *14.35%* | *23.48%* |

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

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

| | Deferred tax liability as at 1 January 2020 | Recognition/ (utilization) of deferred tax liability through profit or loss | Recognition/ (utilization) of deferred tax liability through other comprehensive income | Other changes | Deferred tax liability as at 31 December 2020 | Recognition/ (utilization) of deferred tax liability through profit or loss | Recognition/ (utilization) of deferred tax liability through other comprehensive income | Other movements* | Deferred tax liability as at 31 December 2021 |
|---|---|---|---|---|---|---|---|---|---|
| Valuation of construction contracts | 78 633 | 31 610 | - | - | 110 243 | 22 700 | - | - | 132 943 |
| Valuation of forward transactions | 111 | 154 | - | - | 265 | (43) | - | - | 222 |
| Discount of retentions for construction contracts | 4 805 | (753) | - | - | 4 052 | 571 | - | - | 4 623 |
| Receivables – accrued interest | - | - | - | - | - | (2 826) | - | 3 014 | 188 |
| Leased assets | 32 567 | 2 620 | - | - | 35 187 | (7 192) | - | - | 27 995 |
| Other | 11 373 | 6 172 | | | 17 545 | (9 822) | - | (3 014) | 4 709 |
| **Total** | **127 489** | **39 803** | **-** | **-** | **167 292** | **3 388** | **-** | **-** | **170 680** |
| Offsetting | (127 489) | | | | (167 292) | | | | (170 680) |
| **After set-off (reported in the statement of financial position)** | **-** | | | | **-** | | | | **-** |

** in 2021, the Company reassessed the division of deferred tax into various titles and made reclassifications between them*

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

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

| | Deferred tax assets as at 1 January 2020 | Recognition/ (utilization) of deferred tax assets through profit or loss | Recognition/ (utilization) of deferred tax assets through other comprehensive income | Other changes | Deferred tax assets as at 31 December 2020 | Recognition/ (utilization) of deferred tax assets through profit or loss | Recognition/ (utilization) of deferred tax assets through other comprehensive income | Other movements* | Deferred tax assets as at 31 December 2021 |
|---|---|---|---|---|---|---|---|---|---|
| Valuation of construction contracts | 155 796 | 85 165 | - | - | 240 961 | 55 655 | - | - | 296 616 |
| Provision for contract losses | 39 644 | 13 507 | - | - | 53 151 | 43 791 | - | - | 96 942 |
| Contract costs related to accrued income | 74 168 | 15 994 | - | - | 90 162 | 23 225 | - | - | 113 387 |
| Liabilities – un-invoiced costs | 46 478 | 775 | - | - | 47 253 | (12 541) | - | 4 855 | 39 567 |
| Provision for warranty repairs | 79 677 | 24 794 | - | - | 104 471 | 5 502 | - | - | 109 973 |
| Other provisions for liabilities | 56 234 | 4 548 | - | - | 60 782 | 19 620 | - | (50 286) | 30 116 |
| Receivables – impairment write-downs | 12 587 | (6 045) | - | - | 6 542 | (1 109) | - | - | 5 433 |
| Settlements for employee bonuses | 30 487 | 13 353 | - | - | 43 840 | 4 922 | - | - | 48 762 |
| Settlements for unused annual leave | 7 504 | 845 | - | - | 8 349 | 521 | - | - | 8 870 |
| Discount of retentions for construction contracts | - | - | - | - | - | 578 | - | 445 | 1 023 |
| Valuation of forward transactions | - | - | - | - | - | 676 | - | 44 | 720 |
| Liabilities due to retirement benefits and similar obligations | 2 437 | 287 | 275 | - | 2 999 | 284 | (1 187) | - | 2 096 |
| Impairment write-down against long-term financial assets | - | - | - | - | - | 397 | - | 2 579 | 2 976 |
| Lease liabilities | - | - | - | - | - | (8 961) | - | 32 379 | 23 418 |
| Completion costs of realised construction contracts | - | - | - | - | - | 2 146 | - | 7 895 | 10 041 |
| Other | 5 341 | 1 121 | - | - | 6 462 | (1 007) | - | 2 089 | 7 544 |
| **Total** | **510 353** | **154 344** | **275** | **-** | **664 972** | **133 699** | **(1 187)** | **-** | **797 484** |
| Offsetting | (127 489) | | | | (167 292) | | | | (170 680) |
| **After set-off (reported in the statement of financial position)** | **382 864** | | | | **497 680** | | | | **626 804** |

** in 2021, the Company reassessed the division of deferred tax into various titles and made reclassifications between them*

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

## 23. Retirement benefits and similar obligations

As at 31 December 2021 and 31 December 2020, all employees of the Company benefited from the retirement-pension benefits. Retirement and pension benefits are one-off payments upon retirement. The amount of the retirement benefit/ pension benefit due and payable is the product of the base of benefit calculation at the date of entitlement (i.e. at the date the right to receive benefit payment vests) and the appropriate cumulative ratio (progressing in proportion to the years of service).

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

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

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

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

**Risk of changes to retirement age** - the present value of liabilities from retirement benefits and similar obligations is calculated based on statutory retirement age applicable in Poland. Therefore, if the retirement age is raised, the present value of obligations under retirement benefits will decrease.

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

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| **Retirement/ pension benefits, of which:** | **11 031** | **15 781** |
| – present value of the obligation at the reporting date | 11 031 | 15 781 |
| **Total retirement benefits and similar obligations** | **11 031** | **15 781** |
| *of which:* | | |
| *– long-term portion* | *9 624* | *14 476* |
| *– short-term portion* | *1 407* | *1 305* |

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

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Discount rate | 2.92% – 3.08% | 0.26% – 1.29% |
| Forecast salary growth rate | 5.50% – 7.50% | 5.20% – 7.00% |

Assumptions regarding life expectancy are based on the 2020 Polish Life Expectancy Tables published by the Statistics Poland (Central Statistical Office of Poland).

The last valuation of employee benefits was made by an independent actuary as at 31 December 2021.

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

| | 2021 | 2020 |
|---|---|---|
| **Present value of liability at the beginning of the period** | **15 781** | **12 824** |
| Interest expense | 39 | 205 |
| Service costs | 1 997 | 1 793 |
| Benefits paid | (539) | (488) |
| Actuarial (gains)/losses, of which arising from: | (6 247) | 1 447 |
| *- change in assumptions* | *(5 585)* | *2 341* |
| *- other* | *(662)* | *(894)* |
| **Present value of liability at the end of the period** | **11 031** | **15 781** |

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

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

| | 2021 | 2020 |
|---|---|---|
| Service costs | 1 997 | 1 793 |
| Interest expense | 39 | 205 |
| **Costs recognised in the profit and loss account (note 31)** | **2 036** | **1 998** |
| ***Of which, employee benefits recognised in the profit and loss account under:*** | | |
| *– cost of finished goods, goods for resale and raw materials sold* | *1 485* | *1 678* |
| *– administrative expenses* | *551* | *320* |
| Actuarial (gains)/ losses to be recognised in the period | (6 247) | 1 447 |
| **Actuarial (gains)/ losses recognised in other comprehensive income** | **(6 247)** | **1 447** |

***Sensitivity analysis***

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

*Analysis of sensitivity to fluctuations in interest rates*

An increase in the assumed discount rate by 1 percentage point would result in a decrease in liabilities from retirement and similar obligations by PLN 1 149 thousand, while a decrease in the assumed discount rate by 1 percentage point would bring about an increase in said liability by PLN 1 384 thousand.

*Analysis of sensitivity to fluctuations in salary growth rates*

An increase in the assumed salary growth rate by 1 percentage point would result in an increase in liabilities from retirement and similar obligations by PLN 1 454 thousand, while a decrease in the assumed salary growth rate by 1 percentage point would bring about a decrease in liability under retirement and similar benefits by PLN 1 230 thousand.

*Analysis of sensitivity to staff turnover*

An increase in the assumed staff turnover by 1 percentage point would result in a decrease in liabilities from retirement and similar obligations by PLN 534 thousand, while a decrease in the assumed staff turnover by 1 percentage point would bring about an increase in said liability by PLN 591 thousand.

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

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

## 24. Provisions for liabilities and other charges

| Long-term provisions for liabilities and other charges | 31 December 2021 | 31 December 2020 |
|---|---|---|
| **Warranty repairs** | | |
| **balance at the beginning of the period** | **507 774** | **353 932** |
| - recognition | 125 591 | 171 104 |
| - reversal | (71 383) | (12 627) |
| - transfer to short-term items | (23 087) | (4 635) |
| **balance at the end of the period** | **538 895** | **507 774** |
| **Other** | | |
| **balance at the beginning of the period** | **-** | **-** |
| - recognition* | 7 899 | - |
| **balance at the end of the period** | **7 899** | **-** |
| **Other provisions for liabilities, total** | **546 794** | **507 774** |

** including PLN 7 899 thousand recognised as a reduction in profits on the sale of subsidiaries (note 33, 34)*

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

| Short-term provisions for liabilities and other charges | 31 December 2021 | 31 December 2020 |
|---|---|---|
| **Litigation proceedings** | | |
| **balance at the beginning of the period** | **31 489** | **22 990** |
| - recognition (note 32) | 1 073 | 8 669 |
| - utilisation | - | (176) |
| - reversal (note 32) | (1 085) | - |
| - other | - | 6 |
| **balance at the end of the period** | **31 477** | **31 489** |
| **Warranty repairs** | | |
| **balance at the beginning of the period** | **60 694** | **72 649** |
| - transfer from long-term items | 23 087 | 4 635 |
| - utilization | (25 568) | (16 590) |
| **balance at the end of the period** | **58 213** | **60 694** |
| **Provision for penalties/ sanctions** | | |
| **balance at the beginning of the period** | **124 489** | **113 151** |
| - recognition | 128 370* | 63 104** |
| - utilisation | (992) | (14 559) |
| - reversal | (85 155)*** | (37 207)**** |
| **balance at the end of the period** | **166 712** | **124 489** |
| **Other** | | **-** |
| **balance at the beginning of the period** | **-** | **-** |
| - recognition | 6 905***** | - |
| - reversal | (922)****** | - |
| **balance at the end of the period** | **5 983** | **-** |
| **Other provisions for liabilities, total** | **262 385** | **216 672** |

**including PLN 128 370 thousand recognised as a decrease in revenues from the sale of products and services as well as goods and materials*
***including PLN 63 104 thousand recognized in other operating expenses (note 32)*
****including PLN 84 817 thousand recognised as an increase in revenues from the sale of products and services as well as goods for resale and materials and PLN 338 thousand recognised in other operating income (note 32)*
*****including PLN 37 207 thousand recognised in other operating income (note 32)*
******including PLN 6 905 thousand recognised as a reduction in profit on the sale of subsidiaries (note 33,34)*
*******including PLN 922 thousand recognised as an increase in profit on the sale of subsidiaries (note 33, 34)*

The creation/ (reversal) of provisions for litigation and for penalties & sanctions was recognised under other operating expenses (note 32), while creation/ (reversal) of provisions for warranty repairs – under operating expenses.

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

The most significant court cases, to which the Company is a party have been described in point 5.7 of the Directors' Report on activities for 2021.

## 25. Construction contracts

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

**Selected financial data:**

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| **Assets** | | |
| – valuation of construction contracts (note 29) | 699 701 | 580 227 |
| **Liabilities** | | |
| – valuation of construction contracts (note 29) | 1 563 706 | 1 307 913 |
| – provision for construction contract losses | 510 843 | 310 432 |
| – advance payments received for construction contracts in progress (note 26) | 274 463 | 390 704 |

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

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

## 26. Deferred income

Deferred income comprises:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Advance payments received for construction contracts in progress (note 25) | 274 463 | 390 704 |
| Other | 5 061 | 3 977 |
| **Total** | **279 524** | **394 681** |

All advance payments received and other deferred income as at 31 December 2021 and 31 December 2020 were recognised under current liabilities as they will be settled during the Company's normal operating cycle.

## 27. Retentions for construction contracts

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Retained by customers – to be returned after 12 months | 82 482 | 84 551 |
| Retained by customers – to be returned within 12 months | 89 158 | 40 756 |
| **Total retentions for construction contracts retained by customers** | **171 640** | **125 307** |
| | | |
| Received from suppliers – to be returned after 12 months | 227 318 | 224 501 |
| Received from suppliers – to be returned within 12 months | 200 047 | 201 526 |
| **Total retentions for construction contracts received from suppliers** | **427 365** | **426 027** |

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

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Discount of long-term retentions for construction contracts retained by customers | 5 380 | 2 338 |
| Discount of long-term retentions for construction contracts received from suppliers | 24 332 | 21 329 |

**Discount recognised in the profit and loss account:**

| | 2021 | 2020 |
|---|---|---|
| Decrease in sales revenue | (1 808) | (136) |
| Reduction in the cost of services sold | 8 619 | 3 665 |
| **Total adjustment to gross margin** | **6 811** | **3 529** |
| Adjustment to finance income / (finance costs) (note 33) | (6 850) | (6 422) |
| Deferred tax on the above adjustments | 7 | 550 |
| **Net effect on the profit and loss account** | **(32)** | **(2 343)** |

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

| Movements in the balance of impairment write-downs against retentions for construction contracts retained by customers | 31 December 2021 | 31 December 2020 |
|---|---|---|
| **balance at the beginning of the period** | **3 343** | **2 751** |
| **Increases:** | **1 678** | **675** |
| - doubtful and overdue receivables (note 32) | 1 678 | 675 |
| **Decreases:** | **(1 617)** | **(83)** |
| - repayment of receivables by debtors (note 32) | (1 481) | - |
| - receivables written-off | (136) | (83) |
| **Balance of impairment write-downs against retentions for construction contracts at the end of the period** | **3 404** | **3 343** |

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

## 28. Revenue from contracts with customers

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

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

| Type of service/ goods | 2021 | 2020 |
|---|---|---|
| Sales of construction-assembly work | 6 997 231 | 7 216 641 |
| Sales of other services | 34 232 | 34 101 |
| Sales of goods for resale and raw materials | 10 210 | 25 740 |
| **Total sales of finished goods and services, goods for resale and raw materials** | **7 041 673** | **7 276 482** |

Sales of finished goods and services, and goods for resale and raw materials, by geographical area, were as follows:

| Country | 2021 | 2020 |
|---|---|---|
| Poland | 6 757 568 | 6 981 601 |
| Germany | 193 946 | 184 760 |
| Other EU countries | 90 159 | 110 121 |
| **Total sales of finished goods and services, goods for resale and raw materials** | **7 041 673** | **7 276 482** |

Sales of finished goods and services, and goods for resale and raw materials, by type of constructed objects, were as follows:

| Type of constructed objects | 2021 | 2020 |
|---|---|---|
| Land-engineering | 2 705 586 | 3 379 680 |
| Railway | 1 926 428 | 1 514 420 |
| Cubic objects, of which: | 2 365 217 | 2 322 541 |
| *- non-housing* | *1 870 587* | *1 762 388* |
| *- housing* | *494 630* | *560 153* |
| Other | 44 442 | 59 841 |
| **Total sales of finished goods and services, goods for resale and raw materials** | **7 041 673** | **7 276 482** |

## 29. Assets and liabilities arising from contracts with customers

*Deadline to satisfy contract performance obligations vs applied payment deadlines*

Construction contracts are settled with investors in the following manner:

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

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

During 2021, no revenues were recognised from contracts with customers, under which performance obligation to deliver a good or service was satisfied in the prior financial year.

During 2021, no revenue adjustments were recognised that could have impact on the assets or liabilities arising from contracts with customers, and which would result from a change in contract progress measurement or contract change.

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

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

| | 1 January 2020 | Change in contracts valuation | Revenue recognised in 2020 and included in contractg31 liabilities as at 31 December 2019 | Change of the period, in which right to contract consideration becomes unconditional | 31 December 2020 |
|---|---|---|---|---|---|
| Valuation of construction contracts | 415 362 | 580 227 | - | (415 362) | 580 227 |
| **Assets from contracts with customers** | **415 362** | **580 227** | **-** | **(415 362)** | **580 227** |
| Valuation of construction contracts | 952 684 | 943 876 | (588 647) | - | 1 307 913 |
| **Liabilities from contracts with customers** | **952 684** | **943 876** | **(588 647)** | **-** | **1 307 913** |

**Outstanding performance obligations under contracts with customers**

| Total amount of transaction price allocated to performance obligations that remained unfulfilled (or partially unfulfilled) at the end of the reporting period, to be realised within: | 31 December 2021 | 31 December 2020 |
|---|---|---|
| - up to 1 year | 7 409 298 | 7 115 086 |
| - above 1 year | 5 274 469 | 5 327 500 |
| **Total** | **12 683 767** | **12 442 586** |

## 30. Costs by type

| | 2021 | 2020 |
|---|---|---|
| Depreciation/ amortization of which: | 84 680 | 78 270 |
| *– property, plant and equipment (note 9)* | *77 552* | *72 766* |
| *– intangible assets (note 12)* | *7 128* | *5 504* |
| Employee benefits (note 31) | 1 030 902 | 1 018 383 |
| Materials and energy | 1 495 408 | 1 407 092 |
| External services | 3 400 722 | 3 574 933 |
| Taxes and charges | 8 065 | 11 630 |
| Advertising and representation | 4 743 | 5 325 |
| Non-life (property) and life insurance | 23 503 | 18 444 |
| Change in the balance of provision for contract losses (note 25) | 200 411 | 68 643 |
| Other costs by type | 427 275 | 741 974 |
| **Selling expenses (negative value)** | **(12 012)** | **(11 628)** |
| **Administrative expenses (negative value)** | **(228 123)** | **(224 026)** |
| Change in the balance of finished goods and work in progress | - | - |
| Cost of goods produced for the entity’s own needs (negative value) | - | - |
| **Cost of finished goods and services sold** | **6 435 574** | **6 689 040** |
| Cost of goods for resale and raw materials sold | 1 625 | 10 281 |
| **Cost of finished goods and services, goods for resale and raw materials sold** | **6 437 199** | **6 699 321** |

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

## 31. Cost of employee benefits

| | 2021 | 2020 |
|---|---|---|
| **Cost of salaries and wages, of which:** | **861 650** | **852 227** |
| *– retirement and pension benefits (note 23)* | *2 036* | *1 998* |
| *– share-based payments (note 38)* | *879* | *1 696* |
| *– termination benefits* | *5 381* | *3 979* |
| **Cost of social security surcharges and other allowances, of which:** | **169 252** | **166 156** |
| *– social security* | *131 334* | *127 644* |
| **Total cost of employee benefits recognised in costs by type (note 30)** | **1 030 902** | **1 018 383** |

## 32. Other operating income and other operating expenses

| **Other operating income** | **2021** | **2020** |
|---|---|---|
| Gains on the sale of non-financial long-term assets | 9 545 | 2 531 |
| Reversal of impairment write-downs, of which against: | 15 339 | 13 418 |
| *– receivables (following repayment of receivables by debtors) (note 16,27)* | *15 092* | *13 418* |
| *– inventories (as a result of sale) (note 17)* | *247* | *-* |
| Reversal of provisions, of which for: | 1 423 | 37 207 |
| *– litigation (note 2424)* | *1 085* | *-* |
| *– penalties and sanctions (note 24)* | *338* | *37 207* |
| Compensations awarded | 39 886 | 56 153 |
| Write-off of past due liabilities | 5 517 | 3 198 |
| Gains on derivative financial instruments (note 15.1) | - | 3 389 |
| Subsidies | 1 262 | 135 |
| Other | 1 110 | 1 698 |
| **Total** | **74 082** | **117 729** |

| **Other operating expenses** | **2021** | **2020** |
|---|---|---|
| Recognition of impairment write-downs, of which against: | 7 395 | 23 587 |
| *– receivables (note 16, 27)* | *6 743* | *19 908* |
| *– inventories (note 17)* | *652* | *3 679* |
| Creation of provisions, of which for: | 1 073 | 71 773 |
| *– litigation (note 24)* | *1 073* | *8 669* |
| *– penalties and sanctions (note 24)* | *-* | *63 104* |
| Compensations and liquidated damages paid | 4 308 | 4 637 |
| Court charges and executions, costs of legal proceedings | 2 481 | 1 162 |
| Donations given | 1 681 | 4 094 |
| Loss on derivative financial instruments (note 15.1) | 2 834 | - |
| Other | 56 | 16 |
| **Total** | **19 828** | **105 269** |

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

## 33. Finance income and finance costs

| **Finance income** | **2021** | **2020** |
|---|---|---|
| Interest earned on financial instruments, of which: | 2 740 | 7 233 |
| *– on bank deposits and cash at bank* | *2 139* | *5 952* |
| *– on loans granted (note 15.2)* | *601* | *81* |
| *– on acquired bonds (note 15.3)* | *-* | *1 200* |
| Other interest income, of which: | 3 094 | 18 289 |
| *– interest on received discount and penalty interest* | *3 094* | *18 222* |
| *– other* | *-* | *67* |
| Gains on disposal of shares in jointly controlled entities | - | 2 |
| Gains on disposal of shares in companies *(note 34)* | 568 291 | - |
| Dividends and shares in profits | 190 515 | 63 192 |
| Foreign exchange gains | 184 | 639 |
| **Total** | **764 824** | **89 355** |

| **Finance costs** | **2021** | **2020** |
|---|---|---|
| Interest expense in respect of financial instruments, of which: | 2 626 | 3 620 |
| *– interest on lease contracts* | *2 626* | *3 620* |
| Other interest expense, of which: | 1 577 | 724 |
| *– default interest paid to suppliers and interest on discounts* | *1 256* | *236* |
| *– other interest* | *321* | *488* |
| Impairment of shares in jointly controlled entities (note 14) | 2 141 | 1 119 |
| Discount on retentions for construction contracts (note 27) | 6 850 | 6 422 |
| Cost of bank commissions and guarantees | 26 405 | 25 501 |
| Other | 5 | 94 |
| **Total** | **39 604** | **37 480** |

## 34. Profit on the sale of shares in Budimex Nieruchomości Sp. z o.o.

On 22 February 2021, Budimex SA concluded a conditional agreement for the sale of all shares in the subsidiary company, Budimex Nieruchomości Sp. z o.o., with the buyer - CP Developer S.a.r.l. The subject of the sale were 1 314 666 shares, with a nominal value of PLN 500 each, representing 100% of the issued capital of Budimex Nieruchomości Sp. z o.o., entitling to 100% of votes at the General Meeting of Shareholders of the company. The carrying amount of shares in the books of account of Budimex amounted to PLN 717 519 thousand.

As at the date of reclassification to non-current assets held for sale, the Company measured the shares at the lower of the carrying amount of the shares and their fair value reduced by the costs to sell. Since the expected sale price of the shares was significantly higher than their carrying amount and the costs to sell were insignificant considering the overall value of the transaction, the carrying amount was lower. Thereby, the Company did not recognize any impairment loss on the shares held in Budimex Nieruchomości Sp. z o.o.

On 24 May 2021, Budimex SA concluded a disposition agreement with CP Developer S.a.r.l. transferring the ownership of all shares in Budimex Nieruchomości Sp. z o.o. The price of the sold shares amounted to PLN 1 307 890 thousand (including PLN 1 321 772 thousand of received consideration less provisions related to the sale of shares – note 24). The Company incurred costs related to the sale in the amount of PLN 22 080 thousand. Thus, the profit on the sale of shares in Budimex Nieruchomości Sp. z o.o. amounted to PLN 568 291 thousand and was presented in finance income.

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

## 35. Earnings/ (loss) per share

### Basic earnings/ (loss) per share

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

| | 2021 | 2020 |
|---|---:|---:|
| Net profit/ (loss) | 979 633 | 310 541 |
| Weighted average number of ordinary shares | 25 530 098 | 25 530 098 |
| **Basic earnings / (loss) per share (in PLN per share)** | **38.37** | **12.16** |

### Diluted earnings/ (loss) per share

Diluted earnings / (loss) per share were equal to the basic earnings per share for both periods because there were no dilutive instruments.

## 36. Dividend per share

On 18 June 2021, Budimex SA paid a dividend in the amount of PLN 426 352 thousand, i.e. PLN 16.70 gross per share, for which part of separate net profit for the period from 1 January 2020 to 31 December 2020 in the amount of PLN 310 046 thousand was appropriated, increased by the entire amount of other reserves created from the profit for 2019 in the amount of PLN 116 306 thousand (note 19).

On 23 September 2021, the Supervisory Board of Budimex SA, at the request of the Management Board, adopted a resolution on consent to the payment of interim dividend for 2021 in the amount of PLN 380 398 thousand, i.e. PLN 14.90 gross per share. Interim dividend was paid on 18 October 2021 (note 19).

## 37. Statement of Cash Flows

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

| | 2021 | 2020 |
|---|---:|---:|
| Cumulative translation differences (foreign operation) | (141) | (1 295) |
| Other | (30) | 20 |
| **Total** | **(171)** | **(1 275)** |

### Non-monetary transactions

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

In 2020, non-monetary transactions related to investing and financing activities that were not presented in the statement of cash flows related to increases in non-current assets due to acceptance into lease in the amount of PLN 71 434 thousand.

## 38. Share-based payments

Ferrovial SA, the ultimate parent company, operates an incentive scheme of free-of-charge share award, which is classified as a share-based payment transaction settled in equity.

According to this scheme, each year Management Board members and senior management of Budimex SA are granted shares in Ferrovial SA. whose final settlement takes place three years after the grant date, subject to the following conditions:

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

As at 31 December 2021 and as at 31 December 2020, the total fair value of services recorded under other reserves was PLN 7 171 thousand (note 19). As at 31 December 2021, the total fair value of services recorded under liabilities amounted to PLN 14 889 thousand, while as at 31 December 2020 – PLN 14 010 thousand.

Pursuant to an agreement concluded with the Ferrovial Group in 2014, Budimex SA undertook to cover scheme costs with respect to the tranche of the instruments granted in 2014 and in the subsequent years. Therefore, the fair value of employee services related to the instruments granted in the years 2014-2020 was classified as liabilities (with a corresponding expense item).

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

Detailed information on plan's vested shares is presented in the table below:

| Year | Number of initially granted shares | Grant date | Fair value of 1 share at grant date | Financial covenants realization | Cost of shares granted |
|---|---|---|---|---|---|
| 2021 | 19 650 | 15-02-2021 | 92.27 | 100% | 879 |
| 2020 | 21 650 | 14-02-2020 | 126.65 | 100% | 1 696 |

The cost of the shares granted in 2021 was calculated as 2/36th of the cost of shares granted in 2018, 12/36th of the cost of shares granted in 2019, 12/36th of the cost of shares granted in 2020 and 10/36th of the cost of shares granted in 2021.

The cost of the shares granted in 2020 was calculated as 2/36th of the cost of shares granted in 2017, 12/36th of the cost of shares granted in 2018, 12/36th of the cost of shares granted in 2019 and 10/36th of the cost of shares granted in 2020.

The three-year vesting period for the shares granted in 2018 ended in February 2021. As the conditions of the incentive program were satisfied, 10 845 shares in Ferrovial SA were formally transferred to the employees eligible to obtain shares from this tranche. The number of the actually transferred shares differs from the originally allocated amount due to subsequent employee-rotation related adjustments and a lower than assumed ratio of achieving specific financial results by Ferrovial SA.

## 39. Related party transactions

Transactions with related parties made in 2021 and 2020 and the resultant unsettled balances of receivables and liabilities as at 31 December 2021 and 31 December 2020 are presented below.

| | Receivables | | Liabilities | |
|---|---|---|---|---|
| | 31 December 2021 | 31 December 2020 | 31 December 2021 | 31 December 2020 |
| Parent and its related parties (the Ferrovial Group) | - | 1 864 | 23 098 | 25 281 |
| Subsidiaries | 226 184 | 247 026 | 25 801 | 20 736 |
| Associates | 44 | 48 | - | 1 |
| Jointly controlled entities | 20 991 | 1 570 | 1 313 | 709 |
| Other related entities* | 7 | 11 005 | - | - |
| **Total** | **247 226** | **261 513** | **50 212** | **46 727** |

| | Loans granted | | Loans taken out | |
|---|---|---|---|---|
| | 31 December 2021 | 31 December 2020 | 31 December 2021 | 31 December 2020 |
| Subsidiaries | 39 557 | 1 773 | - | - |
| **Total** | **39 557** | **1 773** | **-** | **-** |

| | Revenue from sale of finished goods and services and other operating income | | Purchase of finished goods and services and other operating expenses | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Parent and its related parties (the Ferrovial Group) | 15 | - | 30 951 | 31 043 |
| Subsidiaries | 821 535 | 1 136 943 | 155 277 | 97 225 |
| Associates | - | - | 535 | 567 |
| Jointly controlled entities | 16 328 | 540 | - | - |
| Other related entities* | 1 | 11 | 44 | 211 |
| **Total related-party transactions** | **837 879** | **1 137 494** | **186 807** | **129 046** |

| | Finance income | | Finance costs | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Subsidiaries | 191 098 | 63 273 | - | - |
| Associates | 18 | - | - | - |
| **Total related-party transactions** | **191 116** | **63 273** | **-** | **-** |

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

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

Transactions with related entities were concluded on an arm's length basis.

Included in the above table under "Parent and its related parties (the Ferrovial Group)" are the numerical data relating to transactions with Ferrovial Group companies: Ferrovial Construcción SA, including Ferrovial Agroman SA Oddział w Polsce [Branch in Poland] and other Ferrovial Group companies: Ferrovial SA, Cadagua SA and Cadagua SA Oddział w Polsce. [Branch in Poland].

Operating expenses relate mainly to the purchase of services under the contracts described below.

In 2010, Budimex SA signed two agreements with Ferrovial Agroman SA (*currently* Ferrovial Construcción SA) under which Ferrovial renders to Budimex SA services relating to IT maintenance and development, and staff secondment. In connection with execution of these agreements, costs incurred by Budimex SA in 2021 were PLN 6 985 thousand and PLN 486 thousand, respectively, while in 2020 – PLN 6 688 thousand and PLN 1 510 thousand, respectively.

On 24 September 2019, Budimex SA concluded with Ferrovial Agroman SA a new license agreement with effect from 1 January 2018. Under this new agreement, Ferrovial Agroman SA granted to Budimex a license for industrial intangible assets that support the main business of Budimex SA in the area of all construction works and infrastructure management. In 2021, in connection with the execution of these agreements Budimex SA incurred costs of PLN 23 242 thousand, while in 2020 - PLN 23 412 thousand.

## 40. Emoluments of key members of management

***Management Board***

The total value of remuneration, bonuses and awards for the members of the Management Board of Budimex SA in 2021 amounted to PLN 17 745 thousand (of which, PLN 10 595 thousand represented performance bonus for completed tasks), of which PLN 16 836 thousand was recognised as costs of Budimex SA. The remaining balance was recognised as costs of the subsidiaries and the Ferrovial Group.

In 2020, the total value of remuneration, bonuses and awards for the members of the Management Board of Budimex SA amounted to PLN 11 760 thousand (of which, PLN 4 111 thousand represented performance bonus for completing the tasks scheduled for 2019), of which PLN 9 195 thousand was recognised as costs of Budimex SA. The remaining balance was recognised as costs of its subsidiaries and the Ferrovial Group.

In addition, during the 12-month period ended 31 December 2021, the estimated costs of share-based payments in connection with Ferrovial SA's incentive programs related to the Company's Management Board amounted to PLN 1 097 thousand., of which PLN 1 055 thousand was charged to Budimex SA, and the difference was covered by the subsidiary companies. In 2020, the costs of share-based payments amounted to PLN 1 651 thousand.

***Remuneration for 2021***

| Management Board | Remuneration charged to Budimex SA | Remuneration charged to subsidiaries or the Ferrovial Group | Performance bonus | Non-competition clause | Share-based payments under the Ferrovial SA's incentive schemes | Total |
|---|---|---|---|---|---|---|
| Artur Popko | 1 490 | - | 2 640 | - | 353 | **4 483** |
| Marcin Węgłowski | 964 | - | 1 669 | - | 178 | **2 811** |
| Jacek Daniewski | 989 | - | 1 637 | - | 178 | **2 804** |
| Artur Pielech* | - | 244 | - | - | 42 | **286** |
| *former Board Members:* | | | | | | |
| Dariusz Blocher** | 1 166 | 665 | 3 400 | 744 | 283 | **6 258** |
| Cezary Mączka*** | 888 | - | 1 249 | - | 63 | **2 200** |
| **TOTAL** | **5 497** | **909** | **10 595** | **744** | **1 097** | **18 842** |

** in the Management Board from 23 September 2021, remuneration calculated from the moment of appointment to the Management Board, fully charged to the subsidiary*

*** in the Management Board until 19 May 2021*

**** in the Management Board until 31 December 2021*

The cost of share-based payments comprises: 2/36th of the cost of shares granted in 2018, 12/36th of the cost of shares granted in 2019, 12/36th of the cost of shares granted in 2020 and 10/36th of the cost of shares granted in 2021.

The three-year vesting period for the shares granted in 2018 ended in February 2021. As the conditions of the incentive program were satisfied, the shares in Ferrovial SA have been formally transferred. The number of shares actually transferred to the members of the Management Board of Budimex SA was as follows:

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

| | |
|---|---|
| Dariusz Blocher | 3 180 shares |
| Artur Popko | 900 shares |
| Marcin Węgłowski | 615 shares |
| Jacek Daniewski | 615 shares |
| Cezary Mączka | 615 shares |

The market value of one share of Ferrovial SA at the actual transfer date was PLN 101.84.

***Proxies***

The total value of remuneration paid to proxies of Budimex SA in 2021 was PLN 1 277 thousand, while in 2020 - PLN 903 thousand.

Individual remuneration of proxies in 2021 was as follows:

Piotr Świecki PLN 1 277 thousand.

Additionally, apart from the amounts presented above, in the 12-month period ended 31 December 2021, the estimated cost of share-based payment under Ferrovial SA's incentive programs allocated to the Company's proxy, Piotr Świecki, amounted to PLN 131 thousand.

Due to satisfying the incentive program conditions after the expiry of the three-year vesting period for the shares granted in 2018, Ferrovial SA formally transferred 465 shares to the proxy of Budimex SA, Piotr Świecki. The market value of one share of Ferrovial SA at the actual transfer date was PLN 101.84.

***Supervisory Board***

The total value of remuneration paid in 2021 to the members of Supervisory Board of Budimex SA amounted to PLN 1 853 thousand (PLN 1 693 thousand in 2020).

In 2021, remuneration of Supervisory Board members of Budimex SA was as follows:

| | |
|---|---|
| Marek Michałowski | PLN 263 thousand |
| Danuta Dąbrowska | PLN 211 thousand |
| Janusz Dedo | PLN 188 thousand |
| Igor Chalupec | PLN 183 thousand |
| Juan Ignacio Gastón Najarro | PLN 165 thousand |
| Artur Kucharski | PLN 154 thousand |
| Jose Carlos Garrido Lestache Rodrigues | PLN 152 thousand |
| Javier Galindo Hernandez | PLN 129 thousand (until 22 September 2021) |
| Dariusz Blocher | PLN 118 thousand (from 20 May 2021) |
| Ignacio Aitor Garcia Bilbao | PLN 107 thousand (from 20 May 2021) |
| Agnieszka Słomka-Gołębiowska | PLN 69 thousand (to 20 May 2021) |
| Fernando Luis Pascual Larragoiti | PLN 68 thousand (to 17 May 2021) |
| Mario Mostoles Nieto | PLN 46 thousand (from 23 September 2021) |

## 41. Advance payments, loans and borrowings, guarantees and sureties and other agreements with Members of the Management or Supervisory Boards

As at 31 December 2021 and 31 December 2020, members of the Management or Supervisory Boards of the Company, their spouses, close relatives, in-laws, adopted persons and adoptive parents, and other persons who are related to them in person did not have any unpaid loans or borrowings or guarantees issued by Budimex SA or its subsidiaries, jointly controlled entities or associates, and were not parties to any agreements obligating them to provide services to Budimex SA or its subsidiaries, jointly controlled entities or associates.

## 42. Leases

a) The characteristics of lease contracts concluded by the Company was described in note 20.2.

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

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

d) The cost of short-term leases recognized in accordance with IFRS 16.6 amounted in 2021 to PLN 203 238 thousand and in 2020 to PLN 217 814 thousand.

e) The cost related to lease of low-value assets recognized in accordance with IFRS 16.6 amounted in 2021 to PLN 39 376 thousand and in 2020 to PLN 50 044 thousand.

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

g) The total cash outflow in connection with lease in 2021 amounted to PLN 321 881 thousand (including: PLN 76 641 thousand – principal part of instalments; PLN 2 626 thousand – interest portion of instalments; PLN 242 614 thousand – payments from short-term leases and low-value assets included in cash flows from operating activities). The corresponding amounts in 2020 amounted to: PLN 335 118 thousand (including: PLN 63 640 thousand – principal part of instalments; PLN 3 620 thousand – interest portion of instalments; PLN 267 858 thousand – payments for short-term leases and low-value assets included in cash flows from operating activities).

h) The Company did not make any sale and leaseback transactions both in 2021 and in 2020.

i) The carrying amount of right-of-use assets as at 31 December 2021 and 31 December 2020 analysed by class of the underlying assets and increases in the right-of-use assets was disclosed in note 9.

j) The portfolio of short-term leases to which the Company is obligated as at 31 December 2021 does not differ materially from the portfolio of short-term leases, to which the cost of short-term leases relates to in point d). Therefore, the Company estimates that the value of future payments, to which it is obligated under short-term leases recognised in accordance with IFRS 16.6 should not materially differ from that for 2021, on the assumption of retaining the same scale and structure of operations.

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

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

## 43. Capital expenditure incurred and planned

Capital expenditures incurred in 2021, including the acceptance of fixed assets under lease, amounted to PLN 155 352 thousand, including PLN 107 463 thousand for the acquisition of non-financial long-term assets. The Company incurred capital expenditures on environmental protection in the form of installation of photovoltaic panels, included in the values given above.

In 2020, capital expenditures amounted to PLN 125 987 thousand, including PLN 120 762 thousand for the acquisition of non-financial long-term assets.

In 2022, the Company expects to carry out investment purchases in the amount of approximately PLN 30 000 thousand. The Company does not plan to incur expenditures on environmental protection. No expenditure is planned for environmental protection.

## 44. (Off-balance sheet) investment expenditure

As at 31 December 2021, contractual investment expenditure amounted to PLN 2 863 thousand and related to the purchase of road equipment (as at 31 December 2020: PLN 4 546 thousand and concerned the payment of a cash contribution to the issued capital of a newly established limited joint-stock partnership under the name ASI 1 ConVentures Sp. z o.o. SKA and the purchase of road equipment).

## 45. Events after the reporting date

On 28 January 2022, Budimex SA concluded a loan agreement with the subsidiary company, Budimex F Sp. z o.o. The loan of PLN 500 thousand was granted until 31 August 2022.

On 22 February 2022, Budimex SA purchased 100% of shares in the special purpose vehicle Magnolia Energy sp.z o.o., which is carrying out a project to build a wind farm. The project provides for the construction of a wind farm consisting of 2 wind turbines with a total capacity of up to 7 MW in Drachowo in the Wielkopolskie Voivodeship. The purchase price for the shares of SPV was set at PLN 22 million and will be paid in accordance with the schedule and the principles set out in the purchase agreement. The final settlement of the price will depend on the actual levels of electricity produced and sold by the SPV and the settlement of the

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

SPV's net debt. On 22 February 2022, Budimex SA paid the appropriate part of the price for the shares in accordance with the concluded agreement and took control over Magnolia Energy sp.z o.o.

In 2021 Budimex SA did not conduct any operating activities in Ukraine, Belarus and Russia, neither it is doing so at the moment of the preparation of the financial statements, nor does it intend to do so in the future. Thus, the armed conflict that started on 24 February 2022 does not have any significant impact on the going concern assumption presented in note 2, nor does it constitute an indication of impairment of the Company's assets.

The Management Board of the Company estimates that the general geopolitical situation and the growing anxiety on the global markets may have a certain impact on the prices of purchased materials (especially fuels and petroleum substances), however, a more precise determination of the effects is not possible as at the date of the authorization of these financial statements. Moreover, an outflow of workers from Ukraine is observed in the construction sector, while the scale of this situation and the impact on the activity of the industry are currently difficult to assess.

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

## 46. Contingent assets and contingent liabilities

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| **1. Contingent assets** | **674 912** | **599 224** |
| 1.1. From related entities (affiliates) | 1 816 | 3 359 |
| - bills of exchange received as security | 1 816 | 3 359 |
| 1.2. From other entities | 673 096 | 595 865 |
| - guarantees and sureties received | 667 942 | 584 694 |
| - bills of exchange received as security | 5 154 | 11 171 |
| **2. Contingent liabilities** | **4 256 067** | **4 379 108** |
| 2.1. To related entities (affiliates) | 352 770 | 484 029 |
| - guarantees and sureties issued | 352 770 | 484 029 |
| 2.2. To other entities | 3 903 116 | 3 894 898 |
| - guarantees and sureties issued | 3 894 499 | 3 886 639 |
| - bills of exchange issued as security | 8 617 | 8 259 |
| 2.3. Other | 181 | 181 |
| - other contingent liabilities | 181 | 181 |
| **Total contingent liabilities and assets** | **(3 581 155)** | **(3 779 884)** |

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

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

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

## 47. Employment structure

As at 31 December 2021 and 31 December 2020, the employment structure of Budimex SA was as follows

| Employment group | 31 December 2021 | 31 December 2020 |
|---|---|---|
| White-collar employees | 3 409 | 3 472 |
| Blue-collar employees | 1 779 | 1 916 |
| **Total** | **5 188** | **5 388** |

## 48. Significant events with an impact on the Company's financial position

***COVID-19 pandemic***

The ongoing epidemic in Poland had no significant impact on the Company's financial parameters achieved in 2021. Contracts were executed without major disruptions, there were no significant problems on the part of suppliers or subcontractors. Cooperation with contractors and customers was effective and adapted to the prevailing realities, and payments for completed works were made on time.

Warsaw, 21 March 2022

| | |
|---|---|
| Artur Popko<br>President of the Management Board | |
| Jacek Daniewski<br>Member of the Management Board | |
| Artur Pielech<br>Member of the Management Board | |
| Marcin Węgłowski<br>Member of the Management Board | |
| Grzegorz Fąfara<br>Chief Accountant | |