

budimex

THE BUDIMEX GROUP

BUDIMEX SA

DIRECTORS' REPORT FOR 2021

Directors' Report on the activities of the Budimex Group and Budimex SA in 2021

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

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1 BUSINESS ENVIRONMENT

1.1 General market conditions

After a decline in 2020, gross domestic product (GDP) growth has turned positive in 2021. According to preliminary estimates of the Central Statistical Office (GUS), the gross domestic product increased by 5.7 per cent year-on-year at constant prices of the previous year in 2021 in comparison with a decrease by 2.5 per cent in 2020. The only quarter in 2021 in which gross domestic product decreased was the first quarter, when the decline rate reached 1.1 per cent. The growth in gross domestic product was particularly evident in the second and fourth quarters of 2021, when Poland's economy grew by 10.9 per cent and 7.7 per cent respectively. Gross fixed capital formation in 2021 increased by 8.0 per cent compared to the decrease by 9.0 per cent in 2020, while the investment rate in 2021, understood as the ratio of gross capital formation to gross domestic product in current prices, stood at 16.6 per cent, in line with 2020. In 2021, gross value added in the construction industry increased by 1.2 per cent year-on-year, while in 2020 it declined by 4.6 per cent. The average annual consumer price index in 2021 reached 5.1 per cent compared to 3.4 per cent in 2020. The year-on-year increase in inflation is attributable to an acceleration in price growth in the third and fourth quarters of 2021. In December 2021, the CPI reached 8.6 per cent and was 6.2 percentage point higher than in December 2019. In 2021, the unemployment rate decreased by 0.9 percentage point, from 6.3 per cent in December 2020 to 5.4 per cent in December 2021.

In 2021, the general business climate index for the construction industry was higher than in 2020. Businesses started the year with relatively good sentiment. As vaccination efforts intensified over the following months, uncertainty among entrepreneurs declined. The shortage of equipment and materials due to problems in supply chains, the cost of materials as well as the increased burdens towards the state budget are cited by business entities as the main barriers. As in previous years, a large percentage of businesses identify unclear and inconsistent legislation and a shortage of skilled workers. The significant deterioration of the financial standing of small construction businesses is a worrying phenomenon.

In 2021, the value of construction and assembly output recorded year-on-year growth of 7.9 per cent in current prices, as compared to year-on-year growth of 0.4 per cent in 2020. For another consecutive year, the scale of construction and assembly output sold by companies employing more than 9 people exceeded PLN 100 billion. In the general construction segment, the output volume increased by 5.0 per cent, while the output volume in infrastructure construction improved by 10.7 per cent. The dynamics of construction and assembly output in road construction increased by 6.8 per cent in current prices (compared with an increase of 6.0 per cent in 2020). The upturn was experienced in both residential and non-residential construction, where construction and assembly output increased by 7.2 per cent and 3.7 per cent respectively in 2021.

In 2021, the structure of construction and assembly output did not change significantly from the previous year. The largest share in construction and assembly output is gain held by civil and water engineering facilities (52 per cent in total construction and assembly production, as compared to a share of 51 per cent in 2020). The corresponding share of the non-residential and residential construction segment stood at 30 per cent and 18 per cent, which is similar to the figures for 2020.

1.2 Market development prospects

According to forecasts published in the first half of February 2022, GDP growth in Poland in 2022 will amount to 4.5 per cent. According to forecasts by the Institute for Economic Forecasts and Analysis (IPAG, Instytut Prognoz i Analiz Gospodarczych), published in the first half of February 2022, GDP growth in 2022 in Poland will reach 4.5 per cent. In the first and second quarters of 2022, GDP is expected to grow by 5.5 per cent and 4.7 per cent respectively. The aforementioned IPAG forecast predicts inflation of 7.5 per cent in the current year, compared to 5.1 per cent recorded in 2021. The growth will be driven chiefly by continued increases in electricity prices and an uncertain macroeconomic environment, and the rate of inflation is expected to slow down in 2023.

In December 2022, the Polish government submitted to the European Commission the Partnership Agreement concerning the allocation of EU funds under the next EU financial perspective for the years 2021-2027. The document is pending approval. The proposed value of funds allocated to Poland amounts to EUR 76 billion in current prices compared to EUR 82.5 billion in current prices that were allocated to Poland under the previous financial perspective. EUR 25.1 billion has been allocated to the Infrastructure and Environment programme (FEnKS), compared to EUR 27.4 billion under the previous financial perspective. Despite the reduced allocation, Poland will remain the largest beneficiary of EU funds. The expected scale of assistance in the area of infrastructure projects should ensure that EU funds will continue to play a significant role in the growth of the Polish construction sector in the coming years. The forthcoming budgetary perspective will be the first in which railway projects will have priority over road projects. The support for infrastructure projects under the Connecting Europe Facility (CEF) competitive instrument will also be important.

An additional source of funding for investment projects may be the Recovery Fund. Poland will receive PLN 23.9 billion in subsidies. In addition, Poland can apply for PLN 34.2 billion in loans. The approval process for the National Recovery Programme governing the disbursement of these funds has been protracted. At the time of preparing this report, it is difficult to assess the feasibility and timeliness of the implementation of the programme.

The outlook for the road construction market is good, as regardless of the macroeconomic situation, the number and value of projects carried out by the General Directorate for National Roads and Motorways (GDDKiA) remain at a high level. The order portfolio values of the largest contracting companies in Poland reached historically highest levels at the end of last year. The situation is much worse in the rail sector, where new tenders have come to a standstill in 2021. The situation should normalize in 2022, when the first projects financed by the new EU perspective will be launched. The value of the order portfolio of railway contractors regarding railway market projects has been systematically declining. Some companies operating exclusively in the rail construction sector are starting to experience liquidity problems due to a shortage of new orders.

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Subsequent waves of the coronavirus pandemic have had little impact on the projects implemented by the GDDKiA. Last year, the GDDKiA commissioned 425 kilometres of new roads, compared to 140 kilometres in 2020. In 2021, the GDDKiA's capital expenditure reached PLN 15.1 billion.

In 2021, the number of tenders announced by the GDDKiA decreased year-on-year. A total of 27 calls for tender were issued last year (against 48 calls for tender issued in 2020) for sections with a total length of 334 kilometres (compared to 600 kilometres in 2020). According to the Company's in-house analyses, the value of bids opened by the GDDKiA in proceedings of significant value decreased slightly in the past year. Throughout 2021, it stood at PLN 13.5 billion versus PLN 14.1 billion in 2020. Under the National Roads Construction Programme (Program Budowy Dróg Krajowych, PBDK), 25 tenders for roads with the total length of 325.3 kilometres were announced in 2021 and 35 contracts were signed for the construction of roads with the total length of about 465 kilometres and the value of PLN 15.3 billion (PLN 17.7 billion in 2020). As part of the "Programme for the Construction of 100 Bypasses", 2 calls for tender have been issued and 11 general contracting agreements have been signed for roads with a total length of 90.1 kilometres and a value of PLN 1.5 billion. The programme provides for the construction of roads with a total length of 830 kilometres.

In August 2021, the assumptions of the National Road Construction Programme until 2030 (with an outlook until 2033) were presented. Among other things, the programme envisages the construction of 2,500 new expressways. The main objective of the programme is to complete the entire motorway and expressway network in Poland, i.e. the missing sections of S10, S11, S12, S16, S74 and the border section of the A2. The total value of the programme is PLN 292 billion, of which PLN 187 billion is for new projects, and PLN 105 billion is the cost of continuing projects. The most important projects planned under the National Road Construction Programme until 2030 are: widening of the A4 motorway over a distance of 370 kilometres between Krzyżowa and Tarnów at an estimated cost of PLN 35.5 billion, construction of the Warsaw Metropolitan Area Ring Road within the A50 and S50 roads, with a length of 260 kilometres and cost of PLN 35 billion, and construction of a third lane on the A2 motorway between Konotopa and Łódź.

In February 2022, the GDDKiA announced an increase in the contract value indexation limit from 5 per cent to 10 per cent for contracts announced in 2022. The equal sharing of risk between investors and contractors remains unchanged. The GDDKiA has been working intensively to implement a contractor certification system, which could be introduced as early as 2023. GDDKiA presented six options of corridors for the planned section of the S7 road between Krakow and Myślenice with a length of about 20 kilometres. The cost of construction, depending on the option, ranges from PLN 4.6 to 6.5 billion. This is currently the only section of the S7 road leading from Gdańsk to Rabka Zdrój for which design work has not even begun. December 2021 saw the start of consultations between the GDDKiA and contractors on the development of traffic maintenance issues during the planned addition of the third lane on the 90-kilometre A2 motorway section between Konotopa and Łódź. Securing funding for the project and launching a construction tender are scheduled for this year. This year, an analysis will begin on the possibility of adding a third lane to the A1 motorway along a 34.8-kilometre section between Włocławek and Toruń. The estimated cost of the project is PLN 490 million. In 2021, for the second year in a row, there was a decrease in the value of bids submitted by contractors relative to the investor's budget to 76 per cent on average (compared to 82 per cent in 2020).

In 2022, calls for tenders are planned for road expansion tasks with a total length of 475 kilometres and a value of around PLN 22.5 billion. The largest tasks will be the construction of the 61-kilometre-long S12 road between Piaski and Dorohusk and the 45-kilometre-long S17 road between Piaski and Hrebenne. In addition, the completion of 323 kilometres of road repairs is planned at an estimated cost of PLN 400 million. These will include, among others, a 33-km section of the A4 motorway between Góra Św. Anny and the border of the Silesian and Opole provinces, and a 12-km section of the S86 road between Sosnowiec and Katowice.

The short-term outlook for the development of railway construction in Poland is relatively uncertain due to the risk of Poland not receiving EU funds under the National Recovery Plan (NRP). This fund is intended to be an important source of funding for railway infrastructure projects. The long-term outlook for the development of railway construction in Poland is favourable, bearing in mind the projects co-financed under the FEniKS programme and the CEF programme, as well as the plans to build 1 800 kilometres of railway lines by 2034 as part of the construction of the Central Communication Port (CPK). In December 2021, the level of completion of the KPK, measured by the percentage of contracts completed and in progress, reached 95 per cent. Although the new EU financial perspective started in 2021, the key operational programmes under the 2021-2027 financial perspective are still to be approved.

According to the Company's in-house analyses, the value of bids opened by PKP PLK in major tenders has dropped, as it amounted to PLN 1.7 billion in 2021 versus PLN 4.9 billion in 2020. As at mid-February 2022, the level of expenditure actually incurred has not been published. The plan for 2022 provides for the announcement of tenders with a total value of PLN 11-12 billion. In January 2022, PKP PLK issued five calls for tender for projects worth a total of PLN 5.9 billion. The two largest projects involve the construction of a line between Zabrzeg and the border with the Czech Republic (PLN 1.9 billion) and the construction of a railway ring road around Poznań (PLN 1.6 billion). Applications for CEF (Connecting Europe Facility) 2 funding have been submitted for four of the five projects. Further major calls for tender were issued in February 2022. 47 applications with an estimated value of PLN 18 billion have qualified for the final selection stage of the Rail Plus Programme. The total value of the programme is PLN 6.6 billion, although the Ministry of Infrastructure has announced an increase in the programme budget. The projects should be completed by 2028.

The project of the Central Communication Port is in the first stage of work, which is scheduled for completion by 2023 and is expected to cost PLN 13 billion. The first field work has begun in the area of the planned Central Communication Port (CPK). The work involves surveying the land and drawing up a detailed map of the site. In early 2021, CPK entered into a strategic consulting agreement with Incheon Airport of Seoul. Over the past year, experts from South Korea have provided analysis and studies, sharing their experience gained from the design and construction of the Seoul hub. In October 2021, CPK entered into a master plan agreement with Arup Polska. The contract signed is another milestone for the project, which has resulted in the majority of the planning work being outsourced to the aforementioned company. In October, Central Communication Port announced the largest framework procedure in Europe for the design documentation for the CPK railway programme. The

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estimated net value of the works is over PLN 7 billion. In January 2022, the tender for construction works on the Solidarity Port site was launched. The aim of the tender is to select up to eight contractors to whom the CPK company will commission individual tasks under a simplified contractor procedure. The estimated value of the order is over PLN 1.7 billion. In addition, the Centralny Port Komunikacyjny announced proceedings for the so-called Contract Engineer. It concerns services related to the construction of railway "spokes" throughout Poland. The framework agreement has an estimated value of PLN 2.5 billion and its duration is expected to be 8 years. In addition to investments in airport infrastructure, the CPK construction plan also envisages a number of rail and road projects. The government adopted a regulation on the list of projects accompanying the construction of CPK. There are plans to build 1 800 kilometres of new railway lines and 400 kilometres of new expressways, including the Warsaw Agglomeration Bypass (S50) and the S10 road between Toruń and Naruszewo.

Projects in the hydraulic engineering sector are gradually being prepared. In the area of port projects, 3 major investments in container terminals in Gdańsk, Gdynia and Świnoujście are planned. The total value of seaport projects is estimated at over PLN 20 billion. For the port of Gdańsk, a strategic advisor has been selected. As regards the port of Świnoujście, the process of selecting the company to build the container terminal is underway – the Agency for Industrial Development, Baltic Gateway and Deme Concessions are planning to invest PLN 3 billion. In turn, last year the Port of Gdynia was selected by the Council of Ministers as the optimum location for an installation terminal intended to organise the construction and operation of offshore wind farms in the Baltic. At the end of November, the Port of Gdynia received the environmental decision for the Outer Port construction project. In 2021, projects were launched on the Oder Waterway. The entire project will include the E30 waterway on the Oder River from the Czech border to Świnoujście. In addition, investments are planned in the E40 waterway covering the Vistula River from Gdańsk to Warsaw, the Narew and the Bug rivers and the E70 waterway covering the Oder River from the Oder-Havel Canal to Kostrzyn, the Vistula-Oder waterway, the Lower Vistula River and the Szkarpa River. The estimated cost of investment in the development of water transport infrastructure amounts to over PLN 77 billion.

There is good news from the electricity transmission market, where Polskie Sieci Elektroenergetyczne (PSE) has announced further investments. The ERO President approved the "Development Plan for Meeting Current and Future Electricity Demand" for 2021-2030. The total capital expenditure provided for in the plan amounts to around PLN 14 billion in 2019 prices. In February 2021, seabed surveys of the Baltic Sea were launched. Construction work is scheduled to commence this year on the Kozienice-Miłosna power line, for which PSE has already received an environmental decision. For the next 10 years, PSE has announced transmission infrastructure projects in Lower Silesia worth around PLN 950 million.

The domestic energy market has been most significantly affected by developments in the European market, including primarily a rise in the price of CO₂ emission certificates and gas prices. Price pressures are forcing countries such as Poland to accelerate their energy transformation, which is currently not adapted to the available low-carbon technologies. In this context, the use of energy from renewable sources is becoming increasingly important. According to data for 11 months of the previous year, Poland was a net importer of electricity, but it is particularly noteworthy that during the year the gap between imports and exports decreased from 12 317 GWh to 1 373 GWh.

Poland is currently in the process of phasing out its oldest coal-fired power units. PGE and Tauron have already decommissioned coal-fired units with a total capacity of over 1 800 MW in 2021. The efforts of energy companies are focused on implementing projects geared towards climate neutrality. Among other things, PGE is in the process of preparing a project for the largest offshore wind farm in the Baltic Sea and is working on the construction of two CCGT units at the Dolna Odra power plant. Another important development in the energy sector is the potential merger of Orlen, Lotos and PGNiG. The establishment of a multi-energy company could become an unprecedented event in the domestic market that may change the balance of power on the map of Europe's energy interests.

The energy and industrial construction industry in Poland is still ahead of a number of projects. The estimated value of ongoing projects and those planned until 2026 is PLN 253 billion, of which PLN 30 billion is attributable to projects under construction and the remainder to projects that are at the tender or planning stage.

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

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

1.3 Strategy adopted by the issuer and its capital group

Formally, the Management Board of Budimex S.A. did not adopt a growth strategy for the Company and the Budimex Group. Nonetheless, the Management Board of Budimex SA takes steps aimed at increasing the company's value for all shareholders. In the reporting period as well as in the perspective of the next financial year, the Management Board of Budimex SA intends to build the Company's value by focusing on improving the margin on the order book and winning new, profitable construction contracts. In the long run, the Management Board of Budimex SA will consistently strive to diversify its activities in the construction business (e.g. strengthening its presence in such market segments as the railway segment or hydraulic engineering construction segment). In 2021, a number of measures were taken to expand geographically, in particular into the German, Czech and Slovak markets, which resulted in securing the first contract. In parallel, opportunities to enter the area of RES projects are being analysed, including projects for photovoltaic and wind farms, both onshore and offshore. On

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22 February 2022, Budimex SA finalised the purchase of a company implementing a wind farm project with a capacity of up to 7 MW, thus starting operations in the segment of power generation from renewable energy sources in high-power projects.

2 CURRENT ACTIVITIES AND DEVELOPMENT PERSPECTIVES FOR THE BUDIMEX GROUP

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

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

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

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

Changes in the Group's organisation:

On **17 March 2021**, ASI 1 ConVentures Sp. z o.o. SKA was entered in the National Court Register. ConVentures Sp. z o.o., a wholly owned subsidiary of Budimex SA, is the general partner of the partnership.

On **24 May 2021**, Budimex SA sold 100% of shares in Budimex Nieruchomości Sp. z o.o. For details, see Note 7.2 to the consolidated financial statements.

On **8 June 2021**, JZE Sp. z o.o. was entered in the National Court Register. FBSerwis S.A. holds 100% of shares in the share capital of JZE Sp. z o.o.

On **19 August 2021**, FBSerwis Paliwa Alternatywne Sp. z o.o. was entered in the National Court Register. FBSerwis S.A. holds 100% of shares in the share capital of FBSerwis Paliwa Alternatywne Sp. z o.o.

On **2 September 2021**, Budimex Construction Prague s.r.o. was registered with the relevant registry court. Budimex SA holds 100% of shares in the share capital of Budimex Construction Prague s.r.o.

On **17 September 2021**, Budimex Slovakia s.r.o. was registered with the relevant registry court. Budimex SA holds 100% of shares in the share capital of Budimex Slovakia s.r.o.

On **30 November 2021**, Circular Construction SA was established and entered in the National Court Register on **21 January 2022**. Budimex Most Wschodni SA, a wholly owned subsidiary of Budimex SA, holds 100% of shares in the share capital of Circular Construction SA.

On **15 December 2021**, the partners of Budimex SA Ferroviar Construcción SA sp. j. – a partnership jointly controlled by Budimex SA, adopted a resolution on reducing the amount of the contribution made to the partnership to the amount of PLN 5 thousand. As at 31 December 2021, contributions have not been returned to partners.

In 2021, there were no changes in the management policies at the Budimex Group.

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

Company name	Registered office	Share in the share capital and in the number of votes (%)		Consolidation method	
		31 December 2021	31 December 2020	31 December 2021	31 December 2020
Parent company					
Budimex SA	Warsaw / Poland			full	full
Consolidated					
Mostostal Kraków SA	Kraków / Poland	100.00%	100.00%	full	full
Mostostal Kraków Energetyka Sp. z o.o.	Kraków / Poland	100.00%	100.00%	full	full
Budimex Bau GmbH	Cologne / Germany	100.00%	100.00%	full	full
Budimex Budownictwo Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	full	full
Budimex Kolejnictwo SA	Warsaw / Poland	100.00%	100.00%	full	full
FBSerwis SA	Warsaw / Poland	100.00%	100.00%	full	full
FBSerwis A Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	full	full
FBSerwis B Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	full	full
FBSerwis Karpatia Sp. z o.o.	Tarnów / Poland	100.00%	100.00%	full	full
FBSerwis Wrocław Sp. z o.o.	Bielany Wrocławskie /	100.00%	100.00%	full	full

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		31 December 2021	31 December 2020	31 December 2021	31 December 2020
	Poland				
FBSerwis Dolny Śląsk Sp. z o.o.	Ścinawka Dolna / Poland	100.00%	100.00%	full	full
FBSerwis Odbiór Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	full	full
FBSerwis Paliwa Alternatywne Sp. z o.o.	Warsaw / Poland	100.00%	-	full	-
JZE Sp. z o.o.	Warsaw / Poland	100.00%	-	full	-
FBSerwis Kamieński Sp. z o.o.	Kamieński / Poland	80.00%	80.00%	full	full
Budimex Parking Wrocław Sp. z o.o.	Warsaw / Poland	51.00%	51.00%	full	full
Budimex Nieruchomości Sp. z o.o.	Warsaw / Poland	-	100.00%	-	full
Non-consolidated					
Budimex Most Wschodni SA	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex Autostrada A1 SA (w likwidacji)	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. w upadłości likwidacyjnej	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex A Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex C Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex D Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex F Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex H Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex I Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex J Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex K Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
ConVentures Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex PPP SA	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
ASI 1 Conventures Sp. z o.o. SKA	Warsaw / Poland	100.00%	-	non-consolidated	-
Budimex Slovakia s.r.o.	Bratislava / Slovakia	100.00%	-	non-consolidated	-
Budimex Construction Prague s.r.o.	Prague / Czech Republic	100.00%	-	non-consolidated	-
Circular Construction SA	Warsaw / Poland	100.00%	-	non-consolidated	-

Company name	Registered office	Share in the share capital and in the number of votes (%)		Method of recognition in the financial statements	
		31 December 2021	31 December 2020	31 December 2021	31 December 2020
Joint operations					
Budimex SA – Cadagua SA III s.c.	Warsaw / Poland	99.90%	99.90%	share in assets, liabilities, revenues and costs	share in assets, liabilities, revenues and costs
Budimex SA – Cadagua SA IV s.c.	Warsaw / Poland	99.90%	99.90%		
Budimex SA – Cadagua SA V s.c.	Warsaw / Poland	99.90%	99.90%		
Budimex SA Ferroviał Agroman SA 2 s.c.	Warsaw / Poland	95.00%	95.00%		
Budimex SA Sygnity SA sp. j.	Warsaw / Poland	67.00%	67.00%		
Budimex SA Tecnicas Reunidas SA Turów s.c.	Warsaw / Poland	50.00%	50.00%		
Budimex SA Ferroviał Construcción SA sp.j.	Warsaw / Poland	50.00%	50.00%		

2.2 Operating segments and branches of the Parent Company

As at 31 December 2021, the Group conducted business in the following operating segments:

- construction business,
- service activities.

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

- Budimex SA
- Mostostal Kraków SA
- Mostostal Kraków Energetyka Sp. z o.o.
- Budimex Bau GmbH

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

- Budimex Budownictwo Sp. z o.o.
- Budimex Kolejnictwo SA.

The segment of services includes comprehensive services in the field of waste management, maintenance of road infrastructure, expansion and management of lighting infrastructure and technical maintenance of real estate. The service segment also includes other entities of the Group that conduct, among others, activities under Public-Private Partnership. Included in this operating segment are the following Group companies:

- Budimex Parking Wrocław Sp. z o.o.
- FBSerwis SA
- FBSerwis A Sp. z o.o.
- FBSerwis B Sp. z o.o.
- FBSerwis Dolny Śląsk Sp. z o.o.
- FBSerwis Wrocław Sp. z o.o.
- FBSerwis Karpatia Sp. z o.o.
- FBSerwis Kamieński Sp. z o.o.
- FBSerwis Odbiór Sp. z o.o.
- FBSerwis Paliwa Alternatywne Sp. z o.o.
- JZE Sp. z o.o.

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

- General Construction North Branch in Poznań, ul. Wołowska 92A,
- General Construction South Branch in Kraków, ul. Ujastek 7,
- General Construction East Branch in Warsaw, ul. Siedmiogrodzka 9,
- Infrastructure North Branch in Warsaw, ul. Siedmiogrodzka 9,
- Infrastructure South Branch in Kraków, ul. Ujastek 7,
- Infrastructure West Branch in Wrocław, ul. Mokronoska 2,
- Industrial and Railway Branch in Warsaw, ul. Siedmiogrodzka 9,
- Equipment Services Branch in Pruszków, ul. Przejazdowa 24,
- Branch in Rzeszów, ul. Słowackiego 24,
- Branch in Poznań, ul. Wołowska 92A,
- Budimex Spółka Akcyjna Zweigniederlassung Köln, Pferdmenigesstr. 5, Cologne.

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

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

2.3 Structure of sales revenues

2.3.1 Structure of sales revenues of the Budimex Group

Sales of the construction segment

In 2021, the construction market (measured by the value of sales of construction and assembly production) increased by 7.9 per cent in comparison with 2020 and recorded much slower growth rate than in 2020 as compared to 2019. An increase was recorded in both the infrastructure construction sector (+10.7 per cent) and the general construction sector (+5.0 per cent).

The decrease in sales of the Budimex Group's construction segment in the reviewed period amounted to 3.4 per cent as compared to 2020.

The share of the infrastructural construction segment in total revenue from sales of the Group's construction and assembly services decreased from 44.4 per cent in 2020 to 36.7 per cent in 2021. Following the acquisition of new railway contracts in previous years, the share of this segment in the revenue structure of the Group's construction segment increased from 20.9 per cent in 2020 to 27.2 per cent in 2021. The share of the general construction segment increased from 34.7 per cent in 2020 to 36.1 per cent in 2021.

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

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

Type of construction	Sales value			
	2021		2020	
	PLN million	%	PLN	%
Civil engineering (infrastructure)	2 675	36.7%	3 347	44.4%
Rail buildings and structures	1 980	27.2%	1 577	20.9%
General construction, of which:	2 628	36.1%	2 615	34.7%
- non-residential buildings	2 133	29.3%	2 055	27.3%
- residential buildings	495	6.8%	560	7.4%
Total sales of the construction segment	7 282	100.00%	7 539	100.00%

Development activities (discontinued operations)

At the beginning of the second half of 2020, the Management Board of Budimex SA decided to initiate a review of strategic options for the development segment. Following the completion of the process, on 22 February 2021 Budimex SA concluded a conditional agreement on the sale of 100% of shares in Budimex Nieruchomości Sp. z o.o. to CP Developer S.à.r.l. Subsequently, on 24 May 2021, a disposal agreement was signed concerning the disposal of all shares in Budimex Nieruchomości Sp. z o.o. to CP Developer S.à r.l.

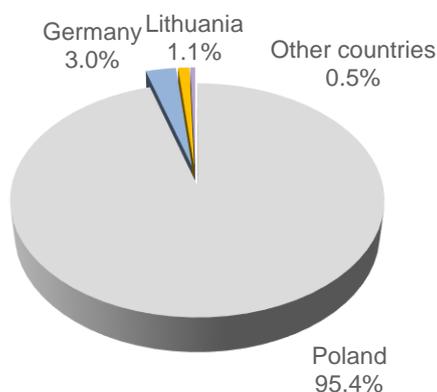
The Budimex Group recognised a net gain resulting from the settlement of the transaction in the amount of PLN 487 541 thousand in the consolidated financial statements.

Geographical structure of the Budimex Group's revenues from sales in 2021

The main markets on which the Budimex Group operates are:

- Poland
- Germany
- Lithuania

The geographical structure of revenues from sales in 2021 was as follows:



Major construction contracts concluded by the Budimex Group companies in 2021:

Contract date	Customer	Contract value allocated to the Budimex Group	Type of construction
2021-07-29	General Directorate for National Roads and Highways Branch in Gdańsk	584 285	Construction of S6 express roadv on the Słupsk – Bożepole Wielkie section. Task 5: Leśnice junction (excluding the junction) – Bożepole Wielkie junction (excluding the junction)
2021-04-16	General Directorate for National Roads and Highways Branch in Gdańsk	581 439	Construction of the Tri-City Metropolitan Ring Road. Task 1: Chwaszczyno junction (excluding the junction) – Żukowo junction (excluding the junction)
2021-08-26	PKP Polskie Linie Kolejowe SA	523 119	Work on the E75 line on the section Białystok - Suwałki - Trakiszki (state border). Stage I, Białystok - Elk section

Directors' Report on the activities of the Budimex Group and Budimex SA in 2021

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

Contract date	Customer	Contract value allocated to the Budimex Group	Type of construction
2021-04-20	Maritime Office in Gdynia	466 727	Construction of a waterway linking the Vistula Lagoon with the Gulf of Gdańsk – Part II
2021-07-12	Frito Lay Sp. z o.o.	343 000	Construction of Frito Lay plant in Poland
2021-09-06	General Directorate for National Roads and Highways Branch in Białystok	265 030	Design and construction of the S19 road on the section Hački - Bielsk Podlaski Zachód junction (including the junction) with a section of national road No 66 to the existing national road No 19
2021-09-13	State Water Management Company Wody Polskie Regional Administration of Water Management in Szczecin	256 471	Bridge reconstruction to ensure minimum clearance - Railway bridge at km 733.7 of the Regalica River in Szczecin
2021-05-14	General Directorate for National Roads and Highways Branch in Białystok	202 558	Design and construction of the Suchowola ring road along National road No 8
2021-03-23	Vastint Poland Sp. z o.o.	190 471	Construction of office, commercial and residential buildings with underground garage at the junction of Waszyngtona and Hryniewickiego Streets in Gdynia – Waterfront Phase 2

2.3.2 Structure of sales revenues of Budimex SA

Sales of construction and assembly services

In 2021, sales of construction and assembly services of the Company decreased by 3.0 per cent when compared to 2020. Sales of the infrastructural segment decreased to PLN 2 706 million in 2021 from PLN 3 380 million in 2020 (by 19.9 per cent). Sales in the rail area increased significantly (by 27.2 per cent) from PLN 1 514 million to PLN 1 926 million in 2021. Sales in the general construction segment increased slightly by 1.8 per cent (from PLN 2 323 million in 2020 to PLN 2 365 million in 2021).

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

Type of construction	Sales value			
	2021		2020	
	PLN million	%	PLN million	%
Civil engineering (infrastructure)	2 706	38.7%	3 380	46.8%
Rail buildings and structures	1 926	27.5%	1 514	21.0%
General construction, of which:	2 365	33.8%	2 323	32.2%
- non-residential buildings	1 870	26.7%	1 763	24.4%
- residential buildings	495	7.1%	560	7.8%
Total sales of construction and assembly services	6 997	100.00%	7 217	100.00%

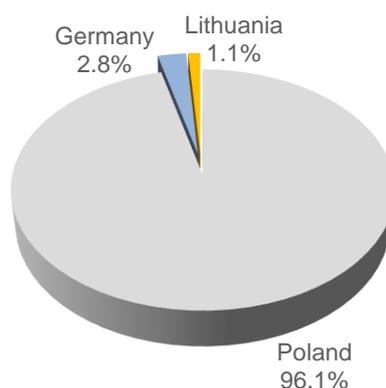
Geographical structure of Budimex SA sales revenues in 2021

The main markets on which Budimex SA operates are:

- Poland
- Germany
- Lithuania

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

The geographical structure of revenues from sales in 2021 is as follows:



2.4 Construction activities of the Budimex Group on the German market¹

In 2021, mainly workshop services were rendered on the German market. Sales revenues amounted to PLN 216 232 thousand (of which PLN 192 608 was earned by Budimex SA) and were PLN 9 414 thousand, i.e. 4.6 per cent higher compared to 2020. An increase was recorded in the case of both prefabrication works (3.0 per cent), and metal-related works (7.5 per cent). The operating profit on the German market amounted to PLN 29 283 thousand in 2021, while in 2020 it was PLN 24 395 thousand, which represents an increase by PLN 4 888 thousand year-on-year. Overall profitability improved from 11.7 per cent in 2020 to 13.5 per cent in 2021, with profitability achieved on prefabrication works increasing by 0.5 per cent, and profitability achieved on metal works being 1.9 per cent higher than in 2020. Customer structure shows dispersion and only one customer exceeded 10 per cent of total turnover (it accounted for 10.8 per cent of total turnover).

In the second half of 2021, Budimex Group also started construction activities on the German market. Budimex Bau GmbH, a wholly owned subsidiary of Budimex SA, completed a road infrastructure contract, earning revenues of EUR 499 thousand. The company is engaged in intensive acquisitions to win further contracts. In November 2021, Budimex SA won the tender for the general contract for EUR 4 291 thousand.

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

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

The value of orders signed by the Budimex Group in 2021 was 21 per cent lower than in the previous year; however, the diversified structure of the order portfolio (including long-term "design and build" contracts) largely secures the work front for the next 2 years. The Group continues to take steps to expand geographically, in particular into the German, Czech and Slovak markets. Over the coming year, the aforementioned markets may be a source of additional orders that will allow us to maintain a stable order portfolio, also in the long term. In parallel, opportunities to enter the area of RES projects are being analysed.

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

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

In 2021, the Budimex Group companies signed construction contracts for a total value of PLN 7 001 813 thousand (with annexes). The value of the order portfolio of the Budimex Group as at 31 December 2021 amounted to PLN 12 976 720 thousand and was 2 per cent higher in comparison with the end of 2020.

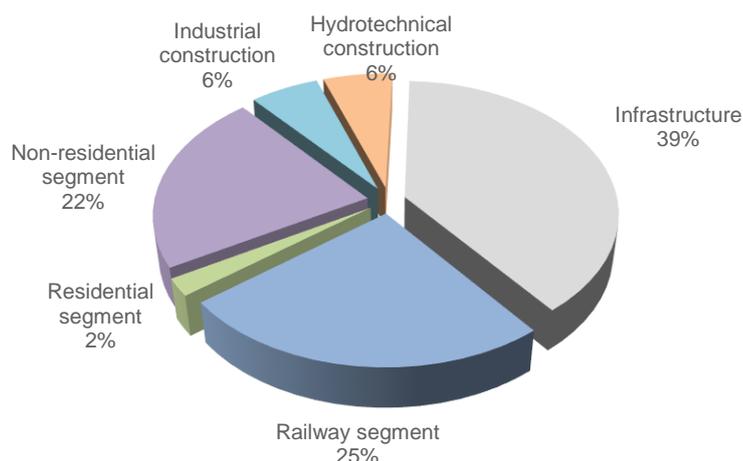
In 2021, Budimex SA in turn signed construction contracts for a total value of PLN 6 619 247 thousand (with annexes). As at 31 December 2021, the order portfolio amounted to PLN 12 510 230 thousand.

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

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The structure of the Budimex Group's order portfolio as at 31 December 2021 is as follows:



2.6 Evaluation of investment project feasibility

In 2022, the Budimex Group plans to incur capital expenditure of approx. PLN 128 million, of which approx. PLN 30 million will be incurred by Budimex SA, approx. PLN 35 million – by Budimex Kolejnictwo SA, and PLN 51 million by the FBSerwis Group. Key expenditure will be incurred for the purchase of construction and railway machinery and implementation of IT projects. Capital expenditure planned by the FBSerwis Group will include investments in the area of municipal services and means of transport.

2.7 Risk factors

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

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

Information concerning the financial risk management objectives and policies adopted by the Group is presented in the consolidated financial statements for the year ended 31 December 2021 (Note 4).

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

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

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

The impact of the armed conflict in Ukraine on the situation of the Budimex Group

In 2021, the Budimex Group companies did not conduct, do not conduct and do not intend to conduct any operating activities in the territory of Ukraine, Belarus and Russia. Thus, the armed conflict that began on 24 February 2022 does not have a significant impact on the assumption that the Group companies will continue as going concerns, nor does it constitute an indication of impairment of the Group's assets. The Management Board of the Parent Entity estimates that the general geopolitical situation and the growing anxiety in 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. Moreover, in the construction sector, an outflow of workers from Ukraine is observed, while the scale of this phenomenon and the impact on the activity of the industry are currently difficult to assess.

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2.8 Procurement source changes

In 2021, there were no significant changes in the procurement sources for construction sites. None of the suppliers of raw materials or services exceeded 10 per cent of the Budimex Group's and Budimex SA's sales.

3 FINANCIAL POSITION

3.1 Key economic and financial data

3.1.1 Key economic and financial data of the Budimex Group

The financial situation of the Budimex Group in 2021 is characterised by selected items disclosed in the Statement of Financial Position and Profit and Loss Account (broken down below together with the 2020 restated comparative data).

Consolidated statement of financial position of the Budimex Group

The main items of the Consolidated Statement of Financial Position of the Budimex Group as at 31 December 2021, compared to restated figures as at 31 December 2020, are presented in the table below:

ASSETS	31.12.2021	31.12.2020 <i>restated</i>	Change	Change %
Non-current assets	1 672 413	1 536 267	136 146	8.86%
Property, plant and equipment	538 612	548 812	(10 200)	(1.86%)
Investment properties	-	9 876	(9 876)	(100.00%)
Intangible assets	150 579	162 030	(11 451)	(7.07%)
Goodwill of subordinates	168 508	168 508	-	0.00%
Investments in equity accounted companies	2 270	2 221	49	2.21%
Investments in equity instruments	8 670	6 922	1 748	25.25%
Retentions for construction contracts	87 264	40 843	46 421	113.66%
Trade and other receivables	27 475	28 550	(1 075)	(3.77%)
Concession agreement receivables	46 638	46 654	(16)	(0.03%)
Other financial assets	24	-	24	100.00%
Deferred tax assets	642 373	521 851	120 522	23.10%
Current assets	5 190 905	5 925 973	(735 068)	(12.40%)
Inventories	428 960	1 998 255	(1 569 295)	(78.53%)
Trade and other receivables	1 217 862	918 039	299 823	32.66%
Retentions for construction contracts	97 263	28 770	68 493	238.07%
Valuation of construction contracts	729 415	594 315	135 100	22.73%
Current tax assets	114	338	(224)	(66.27%)
Other financial assets	1 496	1 858	(362)	(19.48%)
Cash and cash equivalents	2 715 795	2 384 398	331 397	13.90%
TOTAL ASSETS	6 863 318	7 462 240	(598 922)	(8.03%)

As at 31 December 2021, consolidated total assets decreased by PLN 598 922 thousand compared to the end of December 2020 as a result of a 12.40 per cent decrease in current assets (PLN 735 068 thousand) and an 8.86 per cent increase in non-current assets (PLN 136 146 thousand).

Non-current assets:

The change in the value of non-current assets as at 31 December 2021 compared to 31 December 2020 was caused mainly by the following:

- a decrease in property, plant and equipment by PLN 10 200 thousand, including: decrease due to depreciation of property, plant and equipment in the amount of PLN 127 826 thousand and a decrease due to the sale of Budimex Nieruchomości Sp. z o.o. by PLN 9 427 thousand. In turn, the increase in the balance was driven by the purchase and lease of property, plant and equipment in the amount of PLN 218 133 thousand; at the same time, fixed assets worth PLN 109 923 thousand were repurchased from leases;
- decrease in the balance of investment properties by PLN 9 876 thousand as a result of the sale of Budimex Nieruchomości Sp. z o.o.;
- an increase in the balance of retentions for construction contracts by PLN 46 421 thousand, mainly as a result of the exclusion of Budimex Nieruchomości Sp. z o.o. from consolidation and the recognition of long-term retentions from this contractor in the consolidated financial statements,

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

- an increase in the balance of deferred tax assets by PLN 120 522 thousand due to an increased balance of negative temporary differences on items included in liabilities.

Current assets:

During the same period, current assets decreased by PLN 735 068 thousand, which resulted mainly from a decrease in the balance of inventories by PLN 1 569 295 thousand (including PLN 1 734 911 thousand due to the sale of Budimex Nieruchomości Sp. z o.o.), an increase in the balance of cash and cash equivalents by PLN 331 397 thousand, mainly due to proceeds from the sale of Budimex Nieruchomości Sp. z o.o. Other changes in current assets were related to:

- an increase in the balance of trade and other receivables by PLN 299 823 thousand resulting from seasonal, greater involvement in contracts with non-standard invoicing patterns,
- an increase in the balance of valuation of construction contracts by PLN 135 100 thousand, due to decreased level of invoicing of work performed in the last quarter of the year,
- an increase in the balance of retentions for construction contracts by PLN 68 493 thousand, mainly as a result of the exclusion of Budimex Nieruchomości Sp. z o.o. from consolidation and the recognition of short-term retentions from this contractor in the consolidated financial statements.

EQUITY AND LIABILITIES	31.12.2021	31.12.2020 <i>restated</i>	Change	Change %
Shareholders' equity attributable to the shareholders of the Parent Company	1 319 240	1 149 351	169 889	14.78%
Share capital	145 848	145 848	-	0.0%
Share premium	80 199	80 199	-	0.0%
Other reserves	53 324	48 104	5 220	10.85%
Foreign exchange differences on translation of foreign operations	6 289	6 473	(184)	(2.84%)
Retained earnings	1 033 580	868 727	164 853	18.98%
Equity attributable to non-controlling interests	41 767	37 920	3 847	10.15%
Total shareholders' equity	1 361 007	1 187 271	173 736	14.63%
Liabilities	5 502 311	6 274 969	(772 658)	(12.31%)
Non-current liabilities	1 023 841	1 139 735	(115 894)	(10.17%)
Loans, borrowings and other external sources of finance	155 269	261 663	(106 394)	(40.66%)
Retentions for construction contracts	236 588	240 263	(3 675)	(1.53%)
Provisions for non-current liabilities and other charges	616 498	593 398	23 100	3.89%
Retirement benefits and similar obligations	12 580	18 505	(5 925)	(32.02%)
Other financial liabilities	2 076	21 264	(19 188)	(90.24%)
Deferred tax liabilities	830	4 642	(3 812)	(82.12%)
Current liabilities	4 478 470	5 135 234	(656 764)	(12.79%)
Loans, borrowings and other external sources of finance	83 777	189 067	(105 290)	(55.69%)
Trade and other payables	1 396 300	1 371 850	24 450	1.78%
Retentions for construction contracts	209 962	216 458	(6 496)	(3.00%)
Provisions for construction contract losses	514 787	310 441	204 346	65.82%
Valuation of construction contracts	1 588 487	1 302 164	286 323	21.99%
Deferred revenue	291 860	1 469 626	(1 177 766)	(80.14%)
Provisions for current liabilities and other charges	302 474	227 111	75 363	33.18%
Current tax liability	67 658	44 815	22 843	50.97%
Retirement benefits and similar obligations	1 846	1 623	223	13.74%
Other financial liabilities	21 319	2 079	19 240	925.44%
TOTAL EQUITY AND LIABILITIES	6 863 318	7 462 240	(598 922)	(8.03%)

Equity and liabilities:

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

- an increase in "retained earnings" as a result of the generation of a net profit for 12 months of 2021 in the amount of PLN 971 603 thousand and the payment of dividends and interim dividends in the amount of PLN 806 750 thousand,
- a decrease in non-current liabilities by PLN 115 894 thousand, mainly due to:
 - a decrease in loans, borrowings and other external sources of finance by PLN 106 394 thousand, mainly as a result of the repurchase of leased fixed assets by Budimex Kolejnictwo SA;
 - a decrease in other financial liabilities by PLN 19 188 thousand as a result of the reclassification of liabilities on account of deferred payments to current liabilities in the amount of PLN 17 700 thousand.

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

- a decrease in current liabilities by PLN 656 764 thousand, of which the greatest balance movements related to the following:
 - a decrease in the balance of deferred revenue by PLN 1 177 766 thousand, mainly as a result of the sale of Budimex Nieruchomości Sp. z o.o.,
 - a decrease in loans, borrowings and other external sources of finance by PLN 105 290 thousand, including by PLN 133 765 thousand as a result of the sale of Budimex Nieruchomości Sp. z o.o.,
 - an increase in provisions for construction contract losses by PLN 204 346 thousand as a result of the newly identified risk of an increase in the cost of materials (in particular steel) and labour on selected contracts.

Consolidated Profit and Loss Account of the Budimex Group

CONSOLIDATED PROFIT AND LOSS ACCOUNT	01.01- 31.12.2021	01.01- 31.12.2020 <i>restated</i>	Change	Change %
Net sales of finished goods and services, goods for resale and raw materials	7 911 192	7 709 106	202 086	2.62%
Cost of finished goods, services, goods for resale and raw materials sold	(7 077 395)	(7 007 169)	(70 226)	1.00%
Gross profit on sales	833 797	701 937	131 860	18.79%
Selling expenses	(11 733)	(11 219)	(514)	4.58%
Administrative expenses	(269 011)	(247 194)	(21 817)	8.83%
Other operating income	85 043	125 954	(40 911)	(32.48%)
Other operating expenses	(51 011)	(122 045)	71 034	(58.20%)
Operating profit	587 085	447 433	139 652	31.21%
Finance income	13 583	28 933	(15 350)	(53.05%)
Finance costs	(46 239)	(49 452)	3 213	(6.50%)
Shares in net profits / (losses) of equity accounted subordinates	67	145	(78)	(53.79%)
Gross profit	554 496	427 059	127 437	29.84%
Income tax	(88 550)	(113 363)	24 813	(21.89%)
Net profit (loss) on continuing activities	465 946	313 696	152 250	48.53%
Net profit (loss) on discontinued activities	520 508	157 698	362 810	230.07%
Net profit for the period	986 454	471 394	515 060	109.26%
<i>of which:</i>				
- attributable to the shareholders of the parent company	971 603	459 465	512 138	111.46%
<i>on continuing operations</i>	<i>451 095</i>	<i>301 767</i>	<i>149 328</i>	<i>49.48%</i>
<i>on discontinued operations</i>	<i>520 508</i>	<i>157 698</i>	<i>362 810</i>	<i>230.07%</i>
- attributable to non-controlling interests	14 851	11 929	2 922	24.49%
<i>on continuing operations</i>	<i>14 851</i>	<i>11 929</i>	<i>2 922</i>	<i>24.49%</i>
<i>on discontinued operations</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>

In 2021, the Budimex Group earned sales revenue of PLN 7 911 192 thousand, which represents an increase by 2.62 per cent year-on-year.

In 2021, construction and assembly output in Poland expressed in current prices increased by 7.9 per cent year on year (increase by 3.2 per cent in constant prices), while sales of the Budimex Group's construction segment on the domestic market decreased by 3.1 per cent in comparable periods.

Gross profit on sales in 2021 reached PLN 833 797 thousand, while in the previous year it stood at PLN 701 937 thousand. The gross sales profitability in 2021 was 10.5 per cent and in 2020 this figure was 9.1 per cent.

In accordance with the adopted accounting policies, as soon as Group companies become aware of the fact that budgeted construction contract costs exceed the entire expected contract revenues, they create provisions for expected contract losses and recognise them in the consolidated statements of financing activities under "Provisions for construction contract losses". As at 31 December 2021, the balance of the provision for contract losses amounted to PLN 514 787 thousand. In 2021, the balance of the provision for contract losses was increased by PLN 204 346 thousand.

The Budimex Group companies are required to provide guarantees for their construction services. As at 31 December 2021, the balance of provisions for warranty repairs was PLN 617 609 thousand. In the 12-month period ended 31 December 2021, the balance of provisions for warranty repairs increased by PLN 26 131 thousand.

Compared to the previous year, selling expenses increased in the 12-month period ended 31 December 2021 by PLN 514 thousand, while administrative expenses were PLN 21 817 thousand higher than the expenses incurred in 2020.

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The share of the sum total of selling and administrative expenses in total sales revenue increased from 3.4 per cent in 2020 to 3.6 per cent in 2021.

Other operating income in 2021 amounted to PLN 85 043 thousand and other operating expenses – to PLN 51 011 thousand. Detailed analytics of other operating income and expenses are presented in Note 33 to the consolidated financial statements.

In 2021, the Group posted an operating profit of PLN 587 085 thousand, representing 7.4 per cent of total sales revenues. In the previous year, the Group reported an operating profit of PLN 447 433 thousand, representing 5.8 per cent of total sales revenues.

In the 12-month period ended 31 December 2021, the Group reported loss on financing activities in the amount of PLN 32 656 thousand, while in 2020 – a loss of PLN 20 519 thousand. Detailed analytics of finance income and costs are presented in Note 34 to the consolidated financial statements.

In 2021, the Group reported a gross profit of PLN 554 496 thousand, while in the previous year a gross profit of PLN 427 059 thousand.

Income tax expense for 2021 was PLN 88 550 thousand and included:

- current tax – PLN 225 835 thousand (including prior years' corrections of PLN 894 thousand),
- deferred tax – PLN (137 285) thousand.

As at 31 December 2021, the Group recognised deferred tax assets in the amount of PLN 642 373 thousand and deferred tax liabilities in the amount of PLN 830 thousand, while as at 31 December 2020 the Group recorded deferred tax assets of PLN 521 851 thousand and liabilities of PLN 4 642 thousand. Items of deferred income tax asset reported in the statement of financial position of the Budimex Group result mainly from the specific method of settlement of construction contracts, under which the moment of recognition of costs as incurred and revenue as earned is different from the tax and accounting perspective.

The net profit attributable to the shareholders of Budimex SA for 2021 was PLN 971 603 thousand, while the net profit attributable to the shareholders of Budimex SA for 2020 was PLN 459 465 thousand, which represents an increase by 111.46 per cent.

Net profit attributable to non-controlling interest for 2021 amounted to PLN 14 851 thousand. In the previous year, net profit attributable to non-controlling interest stood at PLN 11 929 thousand.

3.1.2 Key economic and financial data of Budimex SA

The financial situation of Budimex SA in 2021 is characterised by selected items disclosed in the Statement of Financial Position and Profit and Loss Account (as below, together with the 2020 comparative data).

Statement of financial position of Budimex SA

The main items of the Company's Statement of Financial Position as at 31 December 2021, compared to 31 December 2020, are presented in the table below:

ASSETS	31.12.2021	31.12.2020	Change	Change %
Non-current assets	1 383 624	1 925 166	(541 542)	(28.13%)
Property, plant and equipment	193 109	226 165	(33 056)	(14.62%)
Intangible assets	36 949	36 177	772	2.13%
Investments in subsidiaries	375 648	1 047 419	(671 771)	(64.14%)
Investments in associates	191	191	-	0.00%
Investments in other entities	3 266	3 266	-	0.00%
Other financial assets	37 713	1 773	35 940	2 027%
Trade and other receivables	27 462	27 944	(482)	(1.72%)
Retentions for construction contracts	82 482	84 551	(2 069)	(2.45%)
Deferred tax assets	626 804	497 680	129 124	25.95%
Current assets	4 604 684	3 490 317	1 114 367	31.93%
Inventories	403 525	423 874	(20 349)	(4.80%)
Trade and other receivables	1 029 354	795 674	233 680	29.37%
Retentions for construction contracts	89 158	40 756	48 402	118.76%
Valuation of construction contracts	699 701	580 227	119 474	20.59%
Other financial assets	3 014	1 396	1 618	115.90%
Cash and cash equivalents	2 379 932	1 648 390	731 542	44.38%
TOTAL ASSETS	5 988 308	5 415 483	572 825	10.58%

As at 31 December 2021, the total assets increased by PLN 572 825 thousand as compared to 31 December 2020, and amounted to PLN 5 988 308 thousand. Changes in the Statement of Financial Position were mainly related to the following events:

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Non-current assets:

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

- decrease in investments in subsidiaries by PLN 671 771 thousand, mainly as a result of sale of all shares in Budimex Nieruchomości sp. z o.o,
- an increase in the balance of deferred tax assets by PLN 129 124 thousand due to an increased balance of negative temporary differences on valuation of construction contracts and provisions for contract losses,
- an increase in the balance of other financial assets resulting from a loan granted to Budimex Kolejnictwo SA in the amount of PLN 36 000 thousand.

Current assets:

In the same period, the value of current assets increased by PLN 1 114 367 thousand, mainly as a result of the following events:

- an increase in cash by PLN 731 542 thousand,
- an increase in the balance of valuation of construction contracts by PLN 119 474 thousand, due to decreased level of invoicing of work performed in the last quarter of the year,
- an increase in trade and other receivables by PLN 233 680 thousand, mainly as a result of an increase in trade receivables by PLN 205 663 thousand.

EQUITY AND LIABILITIES	31.12.2021	31.12.2020	Change	Change %
Share capital	145 848	145 848	-	0.00%
Share premium	80 199	80 199	-	0.00%
Other reserves	55 053	49 993	5 060	10.12%
Foreign exchange differences on translation of foreign operations	5 857	5 998	(141)	(2.35%)
Retained earnings / (accumulated losses)	760 903	588 020	172 883	29.40%
Total shareholders' equity	1 047 860	870 058	177 802	20.44%
Liabilities	4 940 448	4 545 425	395 023	8.69%
Non-current liabilities	856 635	854 942	1 693	0.20%
Loans, borrowings and other external sources of finance	71 278	108 191	(36 913)	(34.12%)
Retentions for construction contracts	227 318	224 501	2 817	1.25%
Provisions for non-current liabilities and other charges	546 794	507 774	39 020	7.68%
Retirement benefits and similar obligations	9 624	14 476	(4 852)	(33.52%)
Other financial liabilities	1 621	-	1 621	100.00%
Current liabilities	4 083 813	3 690 483	393 330	10.66%
Loans, borrowings and other external sources of finance	54 414	62 266	(7 852)	(12.61%)
Trade and other payables	1 157 619	1 161 969	(4 350)	(0.37%)
Retentions for construction contracts	200 047	201 526	(1 479)	(0.73%)
Provisions for construction contract losses	510 843	310 432	200 411	64.56%
Valuation of construction contracts	1 563 706	1 307 913	255 793	19.56%
Deferred revenue	279 524	394 681	(115 157)	(29.18%)
Provisions for current liabilities and other charges	262 385	216 672	45 713	21.10%
Current tax liability	51 700	33 489	18 211	54.38%
Retirement benefits and similar obligations	1 407	1 305	102	7.82%
Other financial liabilities	2 168	230	1 938	842.61%
TOTAL EQUITY AND LIABILITIES	5 988 308	5 415 483	572 825	10.58%

Equity and liabilities:

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

- an increase the balance in current liabilities by PLN 393 330 thousand, mainly due to:
 - an increase in the balance of valuation of construction contracts by PLN 255 793 thousand, representing the difference between revenues invoiced to investors and revenues recognised in the profit and loss account,
 - an increase in provisions for construction contract losses by PLN 200 411 thousand as a result of the newly identified risk of an increase in the cost of materials (in particular steel) and labour on selected contracts,
 - a decrease in the balance of deferred revenue by PLN 115 157 thousand, mainly due to the accounting for received prepayments for performance of contracts.
- an increase the balance in non-current liabilities by PLN 1 693 thousand, mainly due to:

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- an increase in the balance of provisions for non-current liabilities and other charges by PLN 39 020 thousand, mainly due to an increase in provisions for warranty repairs,
- a decrease in loans, borrowings and other external sources of finance by PLN 36 913 thousand as a result of repayment of finance lease liabilities.

Profit and Loss Account of Budimex SA

PROFIT AND LOSS ACCOUNT	01.01-31.12.2021	01.01-31.12.2020	Change	Change %
Net sales of finished goods and services, goods for resale and raw materials	7 041 673	7 276 482	(234 809)	(3.23%)
Cost of finished goods, services, goods for resale and raw materials sold	(6 437 199)	(6 699 321)	262 122	(3.91%)
Gross profit on sales	604 474	577 161	27 313	4.73%
Selling expenses	(12 012)	(11 628)	(384)	3.30%
Administrative expenses	(228 123)	(224 026)	(4 097)	1.83%
Other operating income	74 082	117 729	(43 647)	(37.07%)
Other operating expenses	(19 828)	(105 269)	85 441	(81.16%)
Operating profit	418 593	353 967	64 626	18.26%
Finance income	764 824	89 355	675 469	755.94%
Finance costs	(39 604)	(37 480)	(2 124)	5.67%
Gross profit	1 143 813	405 842	737 971	181.84%
Income tax	(164 180)	(95 301)	(68 879)	72.28%
Net profit for the period	979 633	310 541	669 092	215.46%

Within the twelve-month period of 2021, Budimex SA generated revenues from sales in the amount of PLN 7 041 673 thousand, while in 2020 they amounted to PLN 7 276 482, i.e. a 3.23 per cent decrease.

Gross profit on sales in 2021 reached PLN 604 474 thousand, while in the previous year it stood at PLN 577 161 thousand. The gross sales profitability ratio for 2021 was therefore 8.6 per cent and was higher than in 2020, when it reached 7.9 per cent.

Pursuant to the adopted accounting principles, the Company creates provision for contract losses if the budgeted costs exceed the total revenues under the agreement. In the subsequent periods, a part of the earlier created provision is reversed in proportion to the percentage of contract completion, after taking into account the total negative margin on the entire contract. As at 31 December 2020, the balance of the provision for contract losses amounted to PLN 310 432 thousand. In the twelve-month period ended 31 December 2021, the balance of the provision for contract losses increased by PLN 200 411 thousand.

The selling expenses in 2021 increased by PLN 384 thousand in comparison to the previous year, while the general administrative expenses grew by PLN 4 097 thousand. The share of the sum total of selling and administrative expenses in total sales revenue increased from 3.2 per cent in 2020 to 3.4 per cent in the reporting year.

Other operating income in the twelve-month period of 2021 amounted to PLN 74 082 thousand and other operating expenses – to PLN 19 828 thousand. Detailed analytics of other operating income and expenses are presented in Note 32 to the financial statements.

In the 12-month period of 2021, the Company reported profit on financing activities of PLN 725 220 thousand. Detailed analytics of finance income and costs are presented in Note 33 to the financial statements.

In 2021, the Company earned a gross profit of PLN 1 143 813 thousand, which means an increase by 181.84 per cent over the previous year.

Income tax for the 12 months of 2021 amounted to PLN 164 180 thousand, including:

- current tax – PLN 294 491 thousand (including prior years' corrections of PLN 436 thousand),
- deferred tax – PLN (130 311) thousand.

In 2021, Budimex SA earned a net profit in the amount of PLN 979 633 thousand, which represents an increase by 215.46 per cent over 2020.

3.2 Statement of Cash Flows

3.2.1 Consolidated Statement of Cash Flows of the Budimex Group

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

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

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

The Budimex Group entered 2021 with cash in hand and cash at bank amounting to a total of PLN 2 384 398 thousand. For the purpose of the Statement of Cash Flows, this amount was reduced by the amount of restricted cash of PLN 302 900 thousand. Net cash flow for 2021 was positive and amounted to PLN 604 109 thousand. As at 31 December 2021, the Group's reported cash balance was PLN 2 715 795 398 thousand, of which restricted cash was PLN 30 910 thousand.

In 2021, the balance of cash from operating activities increased by PLN 765 445 thousand.

Cash flow from investing activities came out to a positive balance of PLN 827 043 thousand, which was mainly the result of the sale of Budimex Nieruchomości Sp. z o.o.

Cash flow from financing activities for 2021 showed a negative balance, which amounted to PLN 988 379 thousand and resulted mainly from the payment of a dividend for 2020 and interim dividend for 2021 and the repayment of lease and loan liabilities.

3.2.2 Statement of Cash Flows of Budimex SA

The balance of cash in bank accounts and in hand at the beginning of 2021 amounted to PLN 1 648 390 thousand. For the purposes of drafting the statement of cash flows, this amount was adjusted with the value of restricted cash (in the amount of PLN 4 180 thousand), comprising mainly cash accumulated in split payment accounts and in accounts of consortia in the portion attributable to other consortium members. In the 12 months of 2021, net cash flow was positive and amounted to PLN 714 093 thousand. As at 31 December 2021, the Company reported a cash balance of PLN 2 379 932 thousand, including restricted cash in the amount of PLN 22 349 thousand.

In 2021, the balance of cash from operating activities increased to PLN 187 621 thousand.

The balance of cash from investing activities increased by PLN 1 412 489 thousand which was mostly attributable to the sale of shares in Budimex Nieruchomości Sp. z o.o.

Cash flow from financing activities for 2021 showed a negative balance of PLN 886 017 thousand. The expenses related to the payment by the Company of a dividend for 2020 and interim dividend for 2021 in the amount of PLN 806 750 thousand and repayment of lease liabilities.

3.3 Managing of finance

3.3.1 Managing of finance at the Budimex Group

The balance of cash and liquid deposits of the Budimex Group as at 31 December 2021 amounted to PLN 2 715 795 thousand and was PLN 331 397 thousand higher than as at 31 December 2020. The most important factors affecting this change in financial resources of the Budimex Group during 2021 include the following events:

- continued high profitability of Budimex SA's construction activities,
- proceeds from the sale of shares in Budimex Nieruchomości Sp. z o.o. in the first half of 2021,
- dividends paid by Budimex SA during 2021 (dividend from profit for 2020 and interim dividend from profit generated during the first half of 2021) in the total amount of PLN 806 750 thousand,
- a significant reduction of lease debt by Budimex SA and Budimex Kolejnictwo SA,
- an increase in the cash balance of the FBSerwis Group companies, primarily due to continued high profitability in the waste collection and management segment.

In accordance with the Group's policy, cash surpluses were placed as bank deposits, in banks with high credit ratings. In addition, Budimex SA used cash surpluses to finance its suppliers of services and raw materials. This had a positive effect on the financial liquidity of these suppliers, and was important for them during the COVID-19 pandemic.

At the same time, the Budimex Group entities reported an external debt in respect of bank loans and borrowings and other external sources of finance, including lease liabilities, which as at 31 December 2021 amounted to PLN 239 046 thousand, including lease liabilities recognised in accordance with IFRS 16, amounting to PLN 108 497 thousand. The amount of the Group's external debt on account of bank loans, borrowings and leases understood in accordance with IAS 17, i.e. without lease liabilities, reported in accordance with IFRS 16, was PLN 130 549 thousand and was therefore PLN 123 943 thousand lower than as at 31 December 2020 and PLN 143 955 thousand lower than as at 31 December 2019 (see table below). The amount of the Group's debt recognised under IFRS 16 also decreased during 2021, which was primarily driven by the sale of shares in and the de-consolidation of Budimex Nieruchomości Sp. z o.o. The Group's financial debt is composed of:² the debt of Budimex SA, Budimex Kolejnictwo SA, Mostostal Kraków SA, and the FBSerwis Group companies under lease agreements (concluded to finance the acquisition of property, plant and equipment), debt of Budimex Parking Wrocław Sp. z o.o. on account of a loan for financing a concession project and a subordinated borrowing granted by a shareholder, as well as the debt of FBSerwis Kamieński Sp. z o.o. on account of a borrowing granted by NFOŚiGW to finance investments related to waste management. As at the end of 2021, the Group had no debt under bonds issued.

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

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Liabilities due to bank loans and borrowings and other external sources of finance:	31.12.2021	31.12.2020	31.12.2019
- non-current	89 797	184 902	209 725
- non-current (lease liabilities – IFRS 16):	65 472	76 761	65 533
- current	40 752	69 590	64 779
- current (lease liabilities – IFRS 16):	43 025	119 477	112 329
Total	239 046	450 730	450 366

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

Ratio	31.12.2021	31.12.2020	31.12.2019
Equity to assets ratio: <i>(shareholders' equity attributable to the shareholders of the Parent Company) / (total assets)</i>	0.19	0.15	0.12
Equity to non-current assets ratio: <i>(shareholders' equity attributable to the shareholders of the Parent Company) / (total non-current assets)</i>	0.79	0.75	0.56

Ratio	31.12.2021	31.12.2020	31.12.2019
Debt ratio: <i>(total assets – shareholders' equity attributable to the shareholders of the Parent Company) / (total assets)</i>	0.81	0.85	0.88
Debt to equity ratio: <i>(total assets – shareholders' equity attributable to the shareholders of the Parent Company) / (shareholders' equity attributable to the shareholders of the Parent Company)</i>	4.20	5.49	7.26

At the end of 2021, ratios showing the sustainability of the capital structure improved, i.e. there was an increase in the asset to equity ratio and, at the same time, a decrease in total debt and debt to equity ratio. This was possible owing to a net increase in the Group's equity, despite high dividend distributions by Budimex SA, as well as a decrease in the Group's total assets following the sale of Budimex Nieruchomości Sp. z o.o.

The liquidity ratios (current and quick ratios) at the end of 2021 have increased significantly compared to previous years. The increase in liquidity ratios was mainly driven by: an increase in the Group's cash balance (positive impact on the ratios), a decrease in inventories – primarily related to property development activities (positive impact on the ratio), and a decrease in the Group's current liabilities (negative impact on the ratio).

Ratio	31.12.2021	31.12.2020	31.12.2019
Current ratio <i>(current assets) / (current liabilities)</i>	1.24	1.15	1.09
Quick ratio <i>(current assets – inventory) / (current liabilities)</i>	1.14	0.76	0.67

Owing to the current good financial standing of the Budimex Group, the cash resources held, access to credit limits at banks as well as the insignificant level of financial debt, there are no threats to the Group's ability to finance its business activities in 2022.

3.3.2 Managing of finance at Budimex SA

As at 31 December 2021, the balance of cash and liquid deposits of Budimex SA stood at PLN 2 379 932 thousand and was higher by PLN 731 542 thousand than the balance as at 31 December 2020. The most important factors contributing to this change in financial resources of Budimex SA during 2021 include the following events:

- sale of shares in Budimex Nieruchomości Sp. z o.o.,
- receipt of dividend from Budimex Nieruchomości Sp. z o.o.,
- payment of dividends from the profit for 2020,
- payment of an interim dividend from the profit for the first half of 2021,
- maintaining high profitability of construction activities,
- reduction of the Company's lease debt.

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At the same time, the Company reported an external debt in respect of bank loans and borrowings and other external sources of finance, including lease liabilities, which as at 31 December 2021 amounted to PLN 125 692 thousand, including lease liabilities recognised in accordance with IFRS 16, amounting to PLN 68 917 thousand. The amount of Budimex SA's external debt on account of bank loans, borrowings and leases understood in accordance with IAS 17, i.e. without lease liabilities, reported in accordance with IFRS 16, was PLN 56 775 thousand and was therefore PLN 43 516 thousand lower than as at 31 December 2020 and PLN 41 962 thousand lower than as at 31 December 2019 (see table below). The amount of financial debt of Budimex SA comprises only liabilities under lease agreements in respect of machines and equipment required to carry out road construction projects.³ As at the end of 2021, the Company had no debt under bonds issued.

Liabilities due to bank loans and borrowings and other external sources of finance:	31.12.2021	31.12.2020	31.12.2019
- non-current	32 631	62 855	65 118
- non-current (lease liabilities – IFRS 16)	38 647	45 336	41 093
- current	24 144	37 436	33 619
- current (lease liabilities – IFRS 16)	30 270	24 830	20 634
Total	125 692	170 457	160 464

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

Ratio	31.12.2021	31.12.2020	31.12.2019
Equity to assets ratio: (shareholders' equity) / (total assets)	0.17	0.16	0.14
Equity to non-current assets ratio: (shareholders' equity) / (non-current assets)	0.76	0.45	0.38
Debt ratio: (total assets – shareholders' equity) / (total assets)	0.83	0.84	0.86
Debt to equity ratio: (total assets – shareholders' equity) / (shareholders' equity)	4.71	5.22	6.36

At the end of 2021, the sustainability of the financing structure, as described above, improved as compared to prior years. Equity to non-current assets ratio improved and debt to equity ratio decreased. Positive changes in these ratios were driven primarily by a net increase in Budimex SA's equity due to: maintaining high profitability on core business in 2021 (positive impact on ratios), non-recurring proceeds from the sale of shares in Budimex Nieruchomości Sp. z o.o. (positive impact on ratios) and payment of dividends, including an interim dividend from the profit for 2021 (negative impact on ratios). For the same reasons, there was also an improvement in the liquidity ratios, as they came to significantly higher figures at the end of 2021 compared to previous years (table below).

Ratio	31.12.2021	31.12.2020	31.12.2019
Current ratio (current assets) / (current liabilities)	1.13	0.95	0.88
Quick ratio (current assets – inventory) / (current liabilities)	1.03	0.83	0.75

The Company's situation with respect to liquidity and access to external sources of finance is currently very good and there are no risks to the financing of the Company's activities in 2022.

On 20 January 2021, the Company executed annexes to the loan agreements listed in the table below, pursuant to which: the term of the agreements was extended until May 2024 (agreements concluded with Credit Agricole Bank Polska SA, ING Bank Śląski SA, Bank PEKAO SA and Societe Generale SA Branch in Poland), the amount of the loan granted by ING Bank Śląski SA was increased from PLN 50 000 thousand to PLN 60 000 thousand and the term of the loan signed with Santander Bank Polska SA was shortened to 20 January 2021. At the same time, the Company signed a new loan agreement with CaixaBank SA Branch in Poland in the amount of PLN 100 000 thousand and with a term until 31 May 2024. The loan agreements executed provide additional security for the Company's liquidity.

3.4 Contingent liabilities and contingent receivables of the Budimex Group

Guarantees, sureties, and other contingent liabilities and receivables are described in Note 45 to the consolidated financial statements of the Budimex Group and in Note 46 to the financial statements of Budimex SA.

The table below shows sureties and guarantees granted by Budimex SA as at 31 December 2021:

³ items that do not include amounts of lease liabilities reported in accordance with IFRS 16

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Company granting the surety or guarantee	Entity to which sureties or guarantees were granted	Total amount of sureties or guarantees granted	Maximum period for which sureties or guarantees were granted	Financial terms on which sureties or guarantees were granted	The nature of the relationship existing between Budimex SA and the entity that received the surety or guarantee
Budimex SA	Mostostal Kraków SA	115 353	2027-12-31	in exchange for payments	subsidiary
Budimex SA	Mostostal Kraków Energetyka Sp. z o.o.	141	2023-11-21	in exchange for payments	subsidiary
Budimex SA	Budimex Kolejnictwo SA	19 076	2027-12-31	in exchange for payments	subsidiary
Budimex SA	Budimex Budownictwo Sp. z o.o.	194 794*	2029-10-15	free of charge	subsidiary
Budimex SA	FBSerwis SA	23 406	2030-07-12	in exchange for payments	subsidiary
TOTAL		352 770			

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

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

The Budimex Group did not publish any financial forecasts for 2021.

3.6 Utilisation of proceeds from issues of securities

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

4 SIGNIFICANT AGREEMENTS

4.1 Insurance agreements for the Budimex Group companies

In 2021, the Budimex Group (including Budimex SA) was a party to the following General Insurance Agreements:

- General Insurance Coverage for All Construction & Assembly Risks

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

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

This agreement was concluded for the period from 5 July 2020 to 4 July 2022.

- General Third Party Liability (TPL) Agreement

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

This agreement was concluded for the period from 5 July 2020 to 4 July 2022.

- General All-Risk Insurance Coverage for Construction Machines

This insurance agreement was concluded for a fixed period of time, i.e. from 15 November 2021 to 14 November 2022. Wiener TU SA is the insurer. Subject to insurance coverage are construction machines and equipment which are owned by Budimex SA and which are subject to lease agreements. The insurance coverage comprises all risks of physical loss or damage of assets, except for damage resulting from losses incurred during or in connection with the transport, loading, unloading, assembly or disassembly of the machine.

- Other significant insurance agreements

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In 2021, an extension was signed to the agreement with Allianz Polska concerning TPL insurance for Management and Supervisory Board Members of the Budimex Group companies. This extension of insurance coverage covers the period from 22 July 2021 to 22 July 2022. The insurance coverage covers Members of Management and Supervisory Boards and authorised commercial representatives of the Budimex Group companies and of their subsidiaries. This insurance constitutes a part of the global insurance programme for the Ferrovial Group.

4.2 Cooperation agreements binding in 2021

Cooperation agreements concluded in 2021:

	Supplier	Subject of the Agreement	Annual value	Agreement date
1	Lotos Asfalt Sp. z o.o.	road asphalts	80 220	2021-03-31
2	Vossloh Cogifer Polska Sp. z o.o.	turnouts, passing rails	25 628	2021-03-01
3	FBSerwis SA	waste management	5 560	2021-11-18
4	Onninen Sp. z o.o.	electrotechnical, plumbing and installation goods	2 880	2021-01-28
5	Baltic Investment TTK Sp. z o.o. Sp. k.	paints	784	2021-11-03
6	EU-BIZNES Sylwia Walusiak	transport services	513	2021-07-09
7	Koncesjonowana Firma Ochrony Osób i Mienia ADLER Sp. z o.o.	security services	491	2021-04-30
8	SCB Sp. z o.o.	welding and assembly services	424	2021-08-24
9	Legion Sp. z o.o.	welding and assembly services	407	2021-03-10
10	International Group Of Business Conections Sp. z o.o.	welding and assembly services	401	2021-12-08

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

Cooperation agreements concluded before 2021 and effective in 2021:

	Supplier	Subject of the Agreement	Annual value	Agreement date
	Cemex Polska Sp. z o.o.	ready-mixed concrete	50 763	2011-12-06
		aggregates		2009-04-01
		cement		2006-11-23
	Konsorcjum Stali SA	prefabricated reinforced steel	45 890	2012-03-01
	ArcelorMittal Distribution Solutions Poland Sp. z o.o.	concrete reinforcement, reinforcing steel	38 975	2011-05-24
		steel products		2013-06-25
		reinforced steel	38 538	2013-02-04
	Thyssenkrupp Materials Poland SA	metallurgical products		2006-03-08
		welding consumables		2005-12-12
	Lafarge Cement SA	ready-mixed concrete	35 356	2016-04-15
	Confirme Sp. z o.o.	prefabricated reinforced steel	33 924	2020-01-15
	Viacon Polska Sp. z o.o.	pipes and structural components	30 215	2006-02-14
	ANNA Sp. z o.o.	concrete reinforcement, reinforcing steel	29 299	2014-06-02
	Moris Sp. z o.o.	rails	27 904	2019-01-22
				2017-03-27
		metallurgical products		2019-03-06

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

4.3 Related party transactions

Detailed information on transactions with related parties was presented in Note 40 to the consolidated financial statements of the Budimex Group and in Note 39 to the financial statements of Budimex SA.

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4.4 Loans and borrowings

As at 31 December 2021, Budimex SA had the following loans, borrowings and lease agreements:

Lender	Title of liability	Date of signing the loan/borrowing agreement	Amount available	Liability incl. interest	Interest rate	Maturity date
Credit Agricole Bank Polska SA	Revolving working capital loan	13.05.2015	70 000	-	WIBOR 1M or 3M + margin	31.05.2024
ING Bank Śląski SA	Overdraft facility	15.05.2015	60 000	-	WIBOR 1M + margin	31.05.2024
CaixaBank SA Branch in Poland	Overdraft facility	20.01.2021	100 000	-	WIBOR 1M + margin	31.05.2024
Bank PEKAO SA	Overdraft facility	14.05.2015	100 000	-	WIBOR 1M + margin	14.05.2024
Societe Generale SA Branch in Poland	Medium-term revolving loan	14.05.2015	70 000	-	WIBOR 1M + margin	31.05.2024
Millennium Leasing Sp. z o.o.	Lease (1 agreement)	-	-	142	WIBOR 1M + margin	31.01.2022
Konica Minolta Business Solutions Sp. z o.o.	Lease	16.02.2012	-	1 773	WIBOR 1M + margin	monthly
Pekao Leasing Sp. z o.o.	Leases (155 agreements in total)	-	-	54 860	WIBOR 1M + margin	31.10.2025

As at 31 December 2021, other companies of the Budimex Group were parties to the following loan agreements and lease agreements:

Mostostal Kraków SA						
Konica Minolta Business Solutions Sp. z o.o.	Lease	30.09.2015	-	79	fixed, as provided in the agreement	monthly
Millennium Leasing Sp. z o.o.	Leases (3 agreements in total)	-	-	2 204	WIBOR 1M + margin	31.01.2023
Budimex Parking Wrocław Sp. z o.o.						
Bank PKO BP SA	Concession financing loan	30.04.2012	-	26 105	WIBOR 3M + margin	31.12.2031
Fundusz Inwestycji Samorządowych Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych	loan	29.10.2018	-	1 621	WIBOR 3M + margin	29.10.2038
Konica Minolta Business Solutions Sp. z o.o.	Lease	30.09.2014	-	3	WIBOR 1M + margin	monthly
Budimex Kolejnictwo SA						
Pekao Leasing Sp. z o.o.	Leases (2 agreements in total)	-	-	3 056	WIBOR 1M + margin	31.07.2025
Millennium Leasing Sp. z o.o.	Leases (14 agreements in total)	-	-	7 787	WIBOR 1M + margin	31.12.2027

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Konica Minolta Business Solutions Sp. z o.o.	Lease	-	-	1	WIBOR 1M + margin	monthly
FBSEWIS KAMIENSK Sp. z o. o.						
NFOŚIGW	Co-financing in the form of a loan	-	-	13 052	fixed, as provided in the agreement	31.03.2026
FBSEWIS SA						
Societe Generale SA Branch in Poland	Overdraft facility	30.12.2021	20 000	-	WIBOR 1M + margin	31.10.2023
Santander Leasing SA	Leases (74 agreements in total)	-	-	4 943	WIBOR 1M + margin	30.11.2025
Millennium Leasing Sp. z o.o.	Lease (1 agreement)	-	-	1 262	WIBOR 1M + margin	31.01.2030
FBSEWIS WROCLAW Sp. z o. o.						
Santander Leasing SA	Leases (32 agreements in total)	-	-	7 332	WIBOR 1M + margin	30.09.2025
mBank SA	Leases (2 agreements in total)	-	-	246	fixed, as provided in the agreement	28.02.2023
Caterpillar Financial Services Poland Sp. z o.o.	Lease (1 agreement)	-	-	118	fixed, as provided in the agreement	31.08.2022
Pekao Leasing Sp. z o. o.	Leases (2 agreements in total)	-	-	264	WIBOR 1M + margin	31.08.2025
FBSEWIS KARPATIA Sp. z o. o.						
Santander Leasing SA	Leases (20 agreements in total)	-	-	3 691	WIBOR 1M + margin	30.11.2025
Europejski Fundusz Leasingowy SA	Leases (2 agreements in total)	-	-	218	fixed, as provided in the agreement	30.04.2023
mBank SA	Lease (1 agreement)	-	-	636	WIBOR 1M + margin	28.12.2025
Millennium Leasing Sp. z o.o.	Leases (3 agreements in total)	-	-	1 156	WIBOR 1M + margin	30.04.2026

4.5 Major capital deposits and equity investments in 2021

In 2021, neither the Parent Company nor other Group companies made any equity investments in entities not belonging to the Budimex Group. For a description of equity investments within the Budimex Group, see Section 2.1.

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

Details concerning the loans granted are disclosed in Note 15.1 to the consolidated statements of the Budimex Group and in Note 15.2 to the financial statements of Budimex SA.

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5 OTHER INFORMATION

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

As at 31 December 2021, Members of the Management Board of Budimex SA held the following numbers of shares:

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

As at 31 December 2021, the Members of the Supervisory Board of Budimex SA held the following numbers of shares:

- Marek Michałowski – 4 000 shares

5.2 Acquisition of own shares

In 2021, Budimex SA did not acquire its own shares.

5.3 System of control over employee share incentive schemes

The Company did not operate an employee share incentive scheme.

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

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

5.5 Entity authorised to audit financial statements

On 15 May 2019, the Supervisory Board of Budimex SA resolved to appoint Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością Sp. k. to review the Company's semi-annual financial statements and consolidated financial statements of the Budimex Group for a 6-month period of 2019, 2020 and 2021, and to audit the financial statements of Budimex SA and consolidated financial statements of the Budimex Group for the financial years 2019-2021.

The contract for the review and audit of financial statements for 2021 was concluded on 1 July 2019. Remuneration for the audit of the annual separate and consolidated financial statements for 2021 and 2020 amounted to PLN 374 thousand (including remuneration for the audit of the reporting package for the Ferrovia Group); remuneration for the audit of the semi-annual separate and review of the semi-annual consolidated financial statements in 2021 amounted to PLN 260 thousand, (including remuneration for the review of the semi-annual reporting package for the Ferrovia Group), and for the review of the semi-annual separate and consolidated financial statements in 2020 amounted to PLN 120 thousand.

In addition, on account of settlement of additional work as part of the audit of the financial statements of Budimex SA and the Budimex Group for 2020, the remuneration of Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością Sp.k. paid in 2021 amounted to PLN 65 thousand, while for the assessment of the remuneration report for 2020 it amounted to PLN 35 thousand.

The Audit Committee issued a written agreement to the provision of review and audit services concerning the reporting packages for the Ferrovia Group and the assessment of the Management and Supervisory Board remuneration report.

In 2020 and 2021, the audit firm did not provide any other services to the Group companies apart from providing training services in the form of open training, in the amount of PLN 44 thousand.

5.6 Information about charity and sponsorship activities

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

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

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

Despite the pandemic, in 2021 Budimex SA continued to develop its own social programmes, i.e. "Strefa Rodzica. Budimex Dzieciom" [Parent Zone. Budimex for Children] and initiated the "Hello ICE. Budimex Dzieciom" [Hello ICE. Budimex for Children]. As part of the latter, more 3D lanes were piloted in 2021. In addition, since 2015, the Company has been running an internal employee volunteer programme "Grant na Wolontariat" [Grant for Volunteering].

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The objective of the "Hello ICE. Budimex dzieciom" programme is to increase the knowledge of the youngest pupils of primary schools (grades 1-3) and preschoolers in the field of road safety. The key elements of the campaign are: an interactive map where everyone can mark a dangerous place on the children's route to school or kindergarten and educational materials for teachers as well as games and plays for children and parents. In addition, schoolchildren are provided with plastic cards with contact details of their next of kin to be contacted in the event of an emergency. The Hello ICE programme has received honorary patronage of the Minister of Infrastructure and the Minister of National Education, as well as a positive opinion of the Good Education Association. Additionally, the campaign has a broader educational dimension as it promotes the principles of road safety and first aid among young people. By the end of 2021: more than 450 dangerous spots have been reported on the interactive programme map, more than 200 safety reflectors and ICE cards have been distributed, and more than 1 700 children have participated in 20 safety days.

"Parent Zone. Budimex for Children" is a programme implemented at the end of 2012. The programme involves the creation of separate zones in hospital paediatric wards where hospitalised children can spend time together with their parents, and parents have the ability to prepare a meal, take a shower or sleep. Thus far, Budimex SA has launched 39 Parent Zones in paediatric units of hospitals in Poland. In 2021, 5 Parent Zones were launched (in Białystok, Świecie, Lublin, Włocławek and Środa Śląska).

In 2015, the Company launched a programme called "Grant na Wolontariat" [Grant for Volunteering] under which Budimex employees can propose their own volunteering initiatives. Employee volunteering projects can be proposed throughout the year. They are discussed during quarterly meetings of the CSR Committee which makes decisions on awarding the grants. In 2021, volunteers from the company carried out 11 projects with a total value of PLN 60 thousand.

In 2021, Budimex SA launched the second edition of the "Home from the Heart" programme, as part of which the Company joined forces with other companies to build, equip and hand over a house to an eight-member needy family from Brusy, in the Pomeranian Province. The new home will be a living space where the children will have the proper conditions to learn and develop their talents. This project – a gesture of the heart – is aimed at helping families with many children who are in a difficult material situation, while encouraging other companies to initiate similar aid activities aimed at this group of people in need.

The Budimex Group is actively involved in sponsorship and charity activities. Throughout 2021, the Budimex Group was active in a number of sponsorship and charity programmes and activities. In 2021, we continued to implement social, cultural and educational projects by supporting the following initiatives:

- the "Odkrywcy Diamentów" [Diamond Explorers] scholarship programme providing financial support to talented and successful groups of young people to enable them to participate in prestigious international and national scientific and technical contests, in particular in such fields as: technology, engineering, structure, industrial design, maths and management,
- the Demos Foundation which helps young people in a difficult life situation. This organisation establishes premises for educational, therapeutic and sporting activities. It holds workshops for youth leaders and scholarship programs.
- support for education in regions struggling with poverty: purchase of school equipment, support for summer holidays, organisation of educational tournaments in the Warmińsko-Mazurskie, Mazowieckie, Podlaskie and Łódzkie provinces,
- support for volunteer fire brigades in the Lublin, Podlasie and Łódź regions,
- support for Kromka Chleba Foundation: financing part of the construction of the first hospice in Tarnów in the Małopolskie province,
- Great Orchestra of Christmas Charity (Wielka Orkiestra Świątecznej Pomocy): auction of a golden heart.

5.7 Legal proceedings

The total value of legal proceedings pending in respect of liabilities and receivables as at 31 December 2021 was PLN 588 127 thousand. The excess of the value of proceedings relating to claims of the Group companies over proceedings against the Group companies amounted to PLN 56 835 thousand.

On the basis of the information held by Budimex SA, the total value of legal proceedings pending in respect of liabilities of Budimex SA and subsidiaries as at 31 December 2021 was PLN 265 646 thousand. The proceedings pending in respect of Budimex SA and subsidiaries relate to the operating activities of the Group companies.

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

In the opinion of the Management Board of Budimex SA the claims in the lawsuit are groundless. The irregularities, which in the Claimant's opinion constitute actual grounds of the claims, provided that these do exist, do not result from actions or omissions of the consortium. Moreover, proper performance of the building by the consortium was confirmed by the Claimant issuing the Work Acceptance Certificate and Implementation Certificate for the Silesian Museum building in Katowice. The Management Board assesses that the provisions for warranty repairs recognised beforehand fully cover the risks related to contract implementation. Budimex SA filed its response to the claim on 31 October 2017 and supplemented it in January 2018. Ferrovia Agroman SA filed a reply to the statement of claim on 22 October 2018. The first hearing took place on 11 March 2019, during which the court ordered the parties to make an advance payment for expert fees in the case. As at the date of the report, the

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expert had not yet been selected by the court, and in accordance with the parties' request, guided by the court's parallel request for the parties to undertake mediation, the court suspended the ongoing proceedings by order of 22 December 2021.

Another significant case concerned a request for arbitration submitted by Steinmüller Babcock Environment GmbH to the Secretariat of the International Court of Arbitration at the International Chamber of Commerce in Paris on 20 December 2019. The request concerned the settlement of a consortium agreement in connection with the joint execution with Budimex SA of the construction of a waste incineration plant as part of a thermal power plant being built in Vilnius, Lithuania. The arbitration proceedings concluded with a settlement agreement on 27 October 2021. As a result, the parties waived all claims subject to arbitration and unanimously requested that the proceedings be discontinued. The Court of Arbitration issued an order to discontinue the proceedings on 12 November 2021.

Another legal proceedings with a material value relate to the claim filed on 5 March 2008 by Miejskie Wodociągi i Kanalizacja w Bydgoszczy Sp. z o.o. requesting that the amount of PLN 25 252 thousand be awarded jointly and severally against the consortium to which the Budimex SA and Budimex Dromex SA belonged. The claim relates to the replacement of contractor costs incurred by the investor when the consortium rescinded the contract. The Budimex Group's share in consortium was 90%, therefore the value of the claim for which Budimex SA is liable is PLN 22 727 thousand. On 12 July 2017, the court of the first instance awarded against Budimex SA the amount of PLN 22 thousand (towards reimbursement of the costs of expert opinions commissioned by the claimant), and dismissed the claim in its entirety. An appeal against the judgment was filed both by the claimant (against the entire judgment) and the defendant (against a part of the judgment - i.e. the amount of PLN 22 thousand). Currently, the parties still await setting the date for the hearing before the court of the second instance.

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

The total value of legal proceedings pending in respect of claims of Budimex SA and its subsidiaries amounted to PLN 322 481 thousand as at 31 December 2021. The proceedings relate mainly to the recovery of overdue receivables from business partners and to additional claims in respect of the construction work performed. As at the date of this report, the final outcome of the proceedings is not known.

5.8 Significant achievements in the area of research and development

Innovative projects carried out by Budimex SA are described in Section 3.3 of the Budimex Group's Report on non-financial information for 2021.

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

As at 31 December 2021, neither Budimex SA nor companies from the Budimex Group had any retirement and similar benefit obligations toward former members of management and supervisory boards.

6 CORPORATE GOVERNANCE

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

In 2021, the Company applied the principles set out in the two sets of Best Practices of WSE Listed Companies, i.e:

- until 30 June 2021 the "Best Practices of WSE Listed Companies 2016" ("BPWLC 2016") introduced by a resolution of the WSE Supervisory Board, No. 26/1413/2015 dated 13 October 2015, within the scope indicated in Report No. 1/2016 of 4 January 2016, sent in the EBI system and published on the Company's website,
- as of 1 July 2021 the "Best Practices of WSE Listed Companies 2021" ("BPWLC 2021") introduced by Resolution No. 13/1834/2021 of the WSE Supervisory Board of 29 March 2021, within the scope indicated in EBI Reports No. 1/2021 of 29 July 2021, No. 2/2021 of 23 September 2021 and No. 3/2021 of 13 December 2021.

As regards the application of BPWLC 2016, on 11 December 2015, under Resolution No. 22, the Company's Management Board adopted these principles for use as of 1 January 2016, except for guaranteeing shareholders, using electronic means of communication:

- 1) two-way real-time communication during which shareholders can take the floor during the General Meeting of Shareholders while being in a place other than the place of the meeting – Rule No. IV.R.2 item 2) in Chapter IV General Meeting and Shareholder Relations,
- 2) the option to exercise voting rights in person or through an authorised legal representative during the General Meeting, outside the place of the General Meeting – Rule No. IV.R.2 item 3) in Chapter IV General Meeting and Shareholder Relations.

The Company upheld its previously presented position in relation to continued doubts as to the possibility of ensuring a legally safe manner of execution of the General Meeting if shareholders are granted the above-mentioned option, in particular, taking into account the number of shareholders usually participating in the General Meeting of Budimex SA. Therefore, in the opinion of the Company, such a situation still carries technical, and consequently legal, threats to the correct and efficient execution of the General Meeting.

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In the above-mentioned resolution, the Management Board also determined that:

- a. in accordance with Rule I.Z.1.15. (diversity policy) in Chapter I. Disclosure Policy and Investor Communications, the Company applies the diversity policy to its governing bodies and key managers and, as a result, it will prepare in one document the principles of this policy, covering in particular such elements as gender, education, age, professional experience, so that it is possible to publish the relevant description on its website,
- b. Rule III.Z.3. in Chapter III. Internal Systems and Functions (the independence of the person managing the internal audit function and other persons responsible for the performance of its tasks in line with generally accepted international standards of the professional internal audit practice), is applied by the Company in such a way that in accordance with the adopted division of competencies between individual bodies of the Company, matters related to employing Office of Internal Control staff, including their remuneration, are in the competencies of the Management Board of the Company, and the Audit Committee of the Supervisory Board monitors the efficiency of internal control systems and internal audit, i.e. the actions of the Office of Internal Control, is informed of the activity plan of the internal audit, and receives reports of these activities or periodic summaries from the Office of Internal Control. Employees of the Office of Internal Control are obliged to perform audits primarily at the request of the Supervisory Board and the Audit Committee of the Supervisory Board,
- c. considering that the Management Board and the Supervisory Board apply previous corporate governance principles regarding a conflict of interest, and the relevant provisions do not occur in internal regulations of the Company regarding the Supervisory Board (Bylaws of the Supervisory Board), on the basis of principle V.Z.6. of DPS 2016 it will be proposed to the Company's Supervisory Board that it supplements the Bylaws of the Supervisory Board with a provision under which a member of the Supervisory Board will inform the Supervisory Board of an existing conflict of interests which has arisen or may arise, and shall refrain from discussing such issue, including refraining from voting.

At the same time, the Management Board applied to the Supervisory Board to adopt the resolution on the application of corporate governance principles concerning the above.

On 16 December 2015, under Resolution No. 240, the Company's Supervisory Board adopted the "Best Practices of WSE Listed Companies 2016" for use as of 1 January 2016, in the scope specified in the aforesaid resolution of the Company's Management Board.

On 14 March 2016, by Resolution No. 242, the Supervisory Board introduced the aforementioned amendments to the Bylaws of the Supervisory Board by adding sec. 12b to the Bylaws. Next, at the request of the Management Board, by Resolution No. 243 of 14 March 2016, the Supervisory Board asked the Ordinary General Meeting to adopt a resolution on observing the "Best Practices of WSE Listed Companies 2016" to the extent specified in the aforementioned resolutions of the Management Board and the Supervisory Board.

In 2016, the Ordinary General Meeting of Shareholders of the Company, by Resolution No. 275 of 26 April 2016, adopted for use the "Best Practices of WSE Listed Companies 2016" as suggested by the Management Board and the Supervisory Board. The document containing corporate governance policies was and is still posted on the Company's website at <http://www.budimex.pl>.

The Diversity policy is published on the Company's website.

At the same time, it needs to be noted that the Company has been providing a broadcast of the General Meeting in real time each year, and no changes in this respect are planned. In addition, measures were taken in 2020 to reorganise the internal audit function.

With regard to BPWLC 2021, the Management Board of the Company, by Resolution No. 21/2021 of 29 July 2021, adopted the new rules for application in the scope indicated in EBI Report No. 1/2021 of 29 July 2021. At the same time, the Management Board decided to continue working on the further implementation of BPWLC 2021 and to take steps to obtain the position of the Supervisory Board and the General Meeting on the scope of application of the principles.

The Supervisory Board, by Resolution No. 358 of 23 September 2021, adopted the BPWLC 2021 rules for application to the extent indicated in EBI Report No. 2/2021 of 23 September 2021. At the same meeting, it amended the Rules of Procedure of the Supervisory Board regarding voting transparency and adopted the Diversity Policy for the Management Board of Budimex SA. It has also adopted rules for adopting its budget and the extent to which it is used.

With regard to BPWLC 2021, the Company has indicated the scope of application of the principles in the aforementioned consecutive reports. The non-application of some of the principles was explained by the Company in its comments indicating:

- the need to obtain a prior decision from the competent authorities of the Company,
- the postponement of the application of some of the principles due to ongoing work on business strategy, with an indication of the expected date of adoption of the principles for application,
- the intention to waive temporarily or permanently the application of some of the principles with an appropriate explanation.

In accordance with EIB Report No. 3/2021 dated 13 December 2021, the Company did not apply the following BPWLC 2021 principles at the end of 2021:

- principles 1.3.1, 1.3.2, 1.4 and 1.4.1. due to ongoing work on the Company's strategy – completion is planned for the first half of 2022,
- principles 2.1. and 2.2 concerning diversity policy – The Company has published on its website the Diversity Policy of the Budimex Group, followed by the Diversity Policy of the Management Board of Budimex SA adopted by the Company's

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Supervisory Board. The next steps are for the Management Board and the Supervisory Board to recommend to the next General Meeting the adoption of the Diversity Policy of the Supervisory Board of Budimex SA. All the aforesaid documents do not contain a requirement for participation of the minority group of at least 30 per cent. Instead, they provide for the introduction of a minimum level of representation of each gender in the selection process of 30 per cent of all candidates if they are represented among the candidates and their competences are at least equal to those of the remaining candidates,

- principle 3.4 – concerning the remuneration of persons responsible for risk and compliance management and of the head of internal audit – the Company explained that according to principle 3.4. remuneration of the person in charge of the internal audit and employees of the Internal Audit Office depends on the performance of assigned tasks, and not on the short-term performance of the Company. Remuneration of risk management and compliance by combining these functions with other duties depend on the Company's short-term performance. As soon as these tasks are entrusted to persons dealing only with risk management and compliance, the principle will be applied by the Company.

- principle 3.5 – in accordance with this principle, persons responsible for risk and compliance management report directly to the president or other member of the management board – in this respect, the Company explained that person responsible for risk management reports directly to the President of the Management Board. The Compliance Chief Officer is a Member of the Management Board of the Company – Director of the Legal and Organizational Division, who together with the Deputy Compliance Coordinator and the Compliance Executive Team (under development) oversees the compliance of the Company's operations with the law, internal regulations and rules ethics. The size of the activities conducted by the Company and the high activity on the public procurement market mean that the introduction of the system at this level allows for quick response to the changing legal reality and avoiding potential violations of law in areas of strategic importance for the Company. In addition, it also enables the ongoing minimization of legal risks / breaches of ethics due to the wide and constant access to emerging problems and issues.

- principle 3.7 – in accordance with this principle, Principles 3.4–3.6 apply also to members of the company's group which are material to its activity if they appoint persons to perform such tasks – in this respect, the Company explained that a company of significant importance to the operations of Budimex is FBSerwis S.A. The company has appointed a Compliance Coordinator who reports directly to the Director of the Legal Department – Member of the Management Board of FBSerwis S.A. The Coordinator's remuneration depends partly on the financial results of FBSerwis S.A. At the same time, the process of creating regulations and structures for risk management is carried out. The expected completion date of this process is the end of June 2022. The company has no regulations or structures for internal audit. The company plans to use the support of Budimex S.A. in this regard, on the basis of an agreement that it plans to conclude by the end of June 2022,

- principles 4.1, 4.8, 4.9.1, 4.13 and 4.14. concerning the General Meeting – with respect to principle 4.1. concerning e-general meeting, the Company maintains its position presented in connection with Principle IV.R.2(2) of Chapter IV General meeting and shareholder relations and Principle IV.R.2(3) of Chapter IV General meeting and shareholder relations from the set BPWLC 2016 described above; with respect to the remaining principles, the Company explained that the Management Board intends to recommend the application of these principles to the General Meeting. The relevant item will be placed on the agenda of the next General Meeting.

6.2 Compliance policy

In September 2017, the Management Board of Budimex SA adopted the Compliance Policy. Adoption of the Policy demonstrates the importance that the Company attaches to conducting its business in compliance with applicable laws, ethical standards and fair play rules. The Compliance Policy adopted aggregated the internal regulations in place at the Company, making them more formal in scope and nature. It was also important to draw the attention of both the Company's external environment and employees/associates to the importance of complying with the applicable laws and with ethical and moral principles in day-to-day business operations. The Compliance Policy contains a catalogue of prohibited activities, although this catalogue is not exhaustive, and indicates the main areas of the Company's business where there may be a risk of violation of the law. It also refers to internal legal acts in force at the Company and aimed at organising and formalising specific processes in order to mitigate the risks indicated above. The day-to-day supervision over the Policy implementation has been entrusted to the Compliance Coordinator, supported by a deputy and the Compliance Committee, consisting of representatives of the most important organisational divisions of the Company. Attention had to be paid also to the fact that the Company introduced a uniform whistleblowing system based on compliance communication channels.

6.3 Diversity policy

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

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

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

The objectives of the Diversity Policy are as follows:

- active diversity management as part of our HR policy, creating an open and diverse working environment,
- combating all forms of discrimination,
- ensuring equal opportunities in access to education and promotion,
- ensuring fair and objective performance appraisals,
- ensuring equal opportunities in access to information on the Group's ethical standards,
- achieving pay equity as measured by the Gender Pay Gap indicator,
- maintaining the level of women's representation in the total number of Budimex Group employees at an above average level for the construction sector,
- maintaining the level of women's representation in senior management and among managers and executives at a level at least equal to the level of women's representation in the total number of employees of the Budimex Group,
- promoting diversity and education in collaboration with our stakeholders.

The policy applies to all levels of employment in the Group. Considering that the observance of diversity principles at the highest levels of the organisation has a significant impact on other employees, on 21 September 2021 the Budimex Group adopted a Diversity Policy for the Management Board. The purpose of the Policy is to ensure the principles of equal treatment and diversity at the highest management level of the Group. The Policy sets out a trajectory of efforts to meet best practice, including the Best Practices of WSE Listed Companies 2021 on diversity. The adoption of the Diversity Policy for the Supervisory Board is scheduled for 2022.

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

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

In the reporting year, the Group started to report on the pay equity ratio; at the same time, it was assumed that an additional budget for pay equity would be introduced in the salary increase process starting from the following year, taking into account the specific nature of each occupational group.

Structure of employees of the Budimex Group in 2021:

Age (in years)	Women	Men	Total
<30	412	815	1 227
30–50	934	3 304	4 238
> 50	102	1 372	1 474
Total employees	1 448	5 491	6 939

Age and gender structure of the Company's Management Board

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

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

Age and gender structure of the Company's Supervisory Board

	Women	Men	Total
Supervisory Board	1	9	10
under 30 years of age	0	0	0
30-50 years of age	0	2	2
over 50 years of age	1	7	8
including foreign nationals	0	4	4

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

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

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

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

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

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

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

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

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

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

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

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

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

According to the information available to Budimex SA, the shareholding structure of the Company as at 31 December 2021 was as follows:

Shareholder	Type of shares	Number of Shares	% share in the share capital	Number of votes	% share in the number of votes at the GSM
Ferrovial Construction International SE	ordinary	12 801 654	50.14%	12 801 654	50.14%
Nationale-Nederlanden OFE	ordinary	2 353 000	9.22%	2 353 000	9.22%
Aviva OFE Aviva Santander	ordinary	2 170 000	8.50%	2 170 000	8.50%
Other shareholders	ordinary	8 205 444	32.14%	8 205 444	32.14%
Total		25 530 098	100.00%	25 530 098	100.00%

6.6 Holders of all securities which confer special control rights

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

6.7 Restrictions on exercising voting rights

There are no restrictions concerning the exercise of voting rights.

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

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

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

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

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

During 2021, policies concerning the appointment or removal of members of managing bodies as well as the rights of members of these bodies, including the right to make a decision on the issuance or redemption of the Company shares, as provided for in the Articles of Association, did not change.

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

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

6.10 Implementing changes to the Articles of Association of Budimex SA

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

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

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

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

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

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

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

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

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

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

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

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

- considering and authorising the report on the Company's activities and of the financial statements for the prior financial year,
- reviewing and approving the directors' report on the Group's activities and the consolidated financial statements of the Budimex Group,
- acknowledging the fulfilment of duties by members of the Management and Supervisory Boards,
- creating and reversing of special funds and reserve capital, and their utilisation,
- profit appropriation or defining the manner of loss absorption; the General Meeting of Shareholders may resolve that dividend, in whole or in part, be allocated towards increasing the share capital and the shareholders are issued new shares in exchange,
- claims for losses incurred at the incorporation of the Company, or losses resulting from performing management or supervisory functions,

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- disposing or leasing/renting the company or its organised part, or establishing restrictions on its use or disposal,
- taking decisions on company merger or liquidation, and in the case of the latter – appointing Company liquidators,
- issuing convertible bonds or bonds with pre-emptive rights, or subscription warrants,
- redemption of shares,
- an amendment to the Company's Articles of Association, especially concerning a share capital increase or decrease, or an amendment to the Company's objects,
- adopting By-laws of the General Meeting of Shareholders of Budimex SA,
- appointing and removing Supervisory Board members,
- defining the principles and amount of remuneration for Supervisory Board members,
- re-acquisition of own shares to offer them to employees or persons who were employed at the Company or any related company for the period of at least three years,
- conclusion by the Company of a loan, borrowing or suretyship agreement, or other similar agreement with a member of the Management or Supervisory Board, authorised commercial representative, liquidator, or concluding an agreement in favour of any of the said persons,
- determining the date on which the list of shareholders entitled to receive dividend for the year is prepared (dividend date).

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

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

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

a) Composition of the Management Board

As at 31 December 2021, the Management Board of Budimex SA was composed of the following persons:

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

In 2021, the composition of the Management Board changed as follows:

- on 21 April 2021, Dariusz Blocher resigned from the Management Board of Budimex SA as of 19 May 2021,
- on 22 April 2021, the Supervisory Board of Budimex SA appointed Artur Popko, hitherto Vice President of the Management Board of Budimex SA, as President of the Management Board, General Director, with effect as of 20 May 2021,
- on 23 September 2021, the Supervisory Board of Budimex SA, at the request of the President of the Management Board, appointed Artur Pielech as Member of the Management Board of Budimex SA,
- on 9 December 2021, the Supervisory Board of Budimex SA, at the request of Cezary Mączka, dismissed him from the Management Board. In accordance with the resolution of the Supervisory Board, Cezary Mączka served on the Management Board of the Company until 31 December 2021.

In 2021, there were no changes as regards authorisations to represent the Company granted by the Management Board.

b) Composition of the Supervisory Board and its Committees

As at 31 December 2021, the Supervisory Board of Budimex SA was composed of the following persons:

- | | |
|--|---|
| • Marek Michałowski | Chairperson of the Supervisory Board |
| • Juan Ignacio Gaston Najarro | Deputy Chairperson of the Supervisory Board |
| • Igor Adam Chalupiec | Supervisory Board secretary |
| • Danuta Dąbrowska | Supervisory Board Member |
| • Dariusz Jacek Blocher | Supervisory Board Member |
| • Janusz Dedo | Supervisory Board Member |
| • Ignacio Aitor Garcia Bilbao | Supervisory Board Member |
| • Jose Carlos Garrido-Lestache Rodríguez | Supervisory Board Member |
| • Artur Kucharski | Supervisory Board Member |
| • Janusz Dedo | Supervisory Board Member |

In 2021, the composition of the Supervisory Board changed as follows:

- on 17 May 2021, Mr Fernando Luis Pascual Larragoiti tendered his resignation from the Supervisory Board,
- on 12 May 2021, Ms Agnieszka Słomka-Gołębiowska tendered her resignation from the Supervisory Board effective 20 May 2021,

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- on 20 May 2021, the Annual General Meeting appointed two new members to the Supervisory Board, namely Mr Dariusz Jacek Blocher and Mr Ignacio Aitor Garcia Bilbao,
- on 14 September 2021, Javier Galindo Hernandez tendered his resignation from the Supervisory Board effective 22 September 2021,
- on 23 September 2021, the Supervisory Board of Budimex SA, pursuant to § 16(3) of the Company's Articles of Association, passed a resolution on supplementing the composition of the Board by co-opting Mario Mostoles Nieto to the Board.

As at 31 December 2021, the Audit Committee was composed of the following persons:

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

In 2021, the composition of the Audit Committee changed as follows:

- as of 20 May 2021, following her resignation from the Supervisory Board, Ms Agnieszka Słomka-Gołębiowska ceased to be a member of the Audit Committee,
- Mr Javier Galindo Hernandez tendered his resignation from the Audit Committee with effect from 20 May 2021,
- on 20 May 2021, the Supervisory Board appointed Mr Janusz Dedo and Mr Ignacio Aitor Garcia Bilbao to serve on the Audit Committee.

As regards the independence of an Audit Committee member, the Company applied the following provisions in 2021: Article 129 par. 3 of the Act on Statutory Auditors, Audit Firms and Public Oversight of 11 May 2017 and criteria of independence of Board members, within the meaning of the Best Practices of WSE Listed Companies 2016 (Rule II.Z.4. Section II Management Board and Supervisory Board, in the Best Practices of WSE Listed Companies 2016, and as of 1 July 2021, Rule 2.3 of Best Practices of WSE Listed Companies 2021).

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

As at 31 December 2021, the Investment Committee was composed of the following persons:

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

In 2021, the composition of the Investment Committee changed as follows:

- as of 17 May 2021, following his resignation from the Supervisory Board, Mr Fernando Luis Pascual Larragoiti ceased to be a member of the Investment Committee,
- on 20 May 2021, the Supervisory Board appointed Mr Dariusz Blocher to serve on the Investment Committee,
- as of 22 September 2021, following his resignation from the Supervisory Board, Mr Javier Galindo Hernandez ceased to be a member of the Investment Committee,
- on 23 September, the Supervisory Board appointed Mr Ignacio Aitor Garcia Bilbao to serve on the Investment Committee.

As at 31 December 2021, the Remuneration Committee was composed of the following persons:

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

In 2021, the composition of the Remuneration Committee changed as follows:

- a) on 20 May 2021, the Supervisory Board appointed Mr Dariusz Blocher to serve on the Remuneration Committee,
- b) Mr Juan Ignacio Gaston Najarro tendered his resignation from the Remuneration Committee with effect from 23 September 2021,
- c) on 23 September 2021, the Supervisory Board appointed Mr Mario Mostoles Nieto to serve on the Remuneration Committee.

c) Operation of the Management Board

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

The President of the Management Board is appointed and removed by the Supervisory Board. The President of the Management Board is, at the same time, the Company's General Director. The Supervisory Board, at the request of the

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President of the Management Board, appoints vice-presidents and other members of the Management Board for a 3-year joint term of office.

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

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

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

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

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

d) Operation of the Supervisory Board

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

The Supervisory Board takes decisions provided at least half of Board Members are present at the meeting and all its members were invited to the meeting. The Supervisory Board meetings may also be attended by means of direct remote communication. The Supervisory Board adopts resolutions with an absolute majority of votes. In the case of equal number of votes, the casting vote is that of the Chairperson of the Supervisory Board. It is allowed that resolutions of the Supervisory Board are taken in writing or using means of direct communication. Resolutions of the Supervisory Board are valid and effective if all Board members were informed about the content of the draft resolution and at least half of the Board members participated in passing the resolution. Supervisory Board members may participate in taking resolutions by voting in writing by proxy i.e. through another member of the Supervisory Board, in all matters listed on the agenda of the Supervisory Board meeting, except for matters that were added to the agenda during the course of the Supervisory Board's Meeting.

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

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

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

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

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

committees operate as part of the Supervisory Board: Audit Committee, Investment Committee and Remuneration Committee.

e) Tasks of the Audit Committee

The role of the Audit Committee is to:

1. monitor the process of preparation of the financial statements of the Company and the consolidated financial statements for the previous year, perform detailed reviews of the results of audits performed by a statutory auditor at each audit stage; monitor the process of preparation of the Directors' Report, including statements on non-financial information;
2. monitor the effectiveness of the internal control systems, risk management systems and internal audit, also in the area of financial reporting;
3. monitor the performance of audit activities, in particular performance by an audit firm of an audit, while taking into consideration any and all motions and findings of the Audit Supervision Authority arising from the control activities carried out within the audit firm;
4. control and monitor the independence of the statutory auditor and of the audit firm, in particular when the services other than audit and review of financial statements are provided to the Company by the audit firm;
5. inform the Supervisory Board about the results of the audit and explain the manner in which the audit contributed to reliability of financial reporting at the Company and the role of the Audit Committee in the audit process;
6. assess the independence of the statutory auditor and grant consent to provision by the statutory auditor of permitted services other than the audit in the Company;
7. develop a policy for selecting the audit firm to conduct the audit;
8. develop a policy governing provision by the audit firm, entities affiliated with that audit firm and by any member of the audit firm's network of permitted services other than audit;
9. define the procedure for selection of the audit firm by the Company;
10. present to the Supervisory Board a recommendation referred to in Article 16 par. 2 of Regulation No. 537/2014 (a recommendation for the appointment of statutory auditors or audit firms) in compliance with the policies referred to items 7 and 8 above;
11. submit recommendations designed to ensure integrity of the financial reporting process at the Company;
12. forward to the Supervisory Board conclusions and recommendations relating to the audit and assessment of the financial statements of the Company and of the consolidated financial statements for the previous year;
13. forward to the Supervisory Board conclusions and recommendations concerning acknowledgement of the fulfilment of duties by the Chief Financial Officer;
14. perform other tasks commissioned by the Supervisory Board depending on the current situation of the Company;
15. submit a report on the Committee's activities to the Supervisory Board on a semi-annual basis, by the date of approval of annual financial statements and after publication of semi-annual financial statements.

The statutory criterion of independence during 2021 was met by the following members of the Audit Committee: Danuta Dąbrowska, Agnieszka Słomka-Gołębiowska and Janusz Dedo.

In 2021, members of the Audit Committee who have the most extensive experience, knowledge and skills in the field of accounting and management were:

- Danuta Dąbrowska, member of the Association of Chartered Certified Accountants (ACCA), member of supervisory boards of WSE-listed companies and
- Agnieszka Słomka-Gołębiowska – professor at the Chair of International Comparative Studies at the Warsaw School of Economics, member of supervisory boards of WSE-listed companies.

M Javier Galindo Hernandez – former long-term Chief Financial Officer of Ferrovial Construcción SA, and Ignacio Aitor Garcia Bilbao – Chief Financial Officer of Ferrovial Construcción SA, the main company in the Ferrovial Group's construction segment – were the Audit Committee members with the greatest experience, knowledge and skills in the broadly understood construction industry.

The Audit Committee held 5 meetings in 2021.

Key elements of the audit firm selection policy

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

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

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

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

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

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

f) Tasks of the Investment Committee

The role of the Investment Committee is to provide opinions or approve decisions material for the Company from the point of view of the value of operations relating to: making investments or de-investments in non-financial assets, company incorporation or dissolution, making investments or de-investments or issuing financial assets, Budimex Group company mergers, divisions or transformations, carrying out financial operations, establishing special purpose vehicles (SPVs) to perform works or to render services based on terms and conditions other than those prevailing in the consortium agreements concluded by Budimex Group, preliminary agreements and non-binding initial offers, development projects and significant contracts with related parties.

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

g) Tasks of the Remuneration Committee

The tasks of the Remuneration Committee comprise:

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

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

On 18 June 2020, the General Meeting of Shareholders adopted the remuneration policy of the Budimex SA Governing Bodies. In 2021, the Company published the first Report on the remuneration of the Management Board and Supervisory Board members in 2020.

The purpose of the policy is to set the general guidelines and framework for the remuneration of members of the Company's Management Board and Supervisory Board. The implementation of the purpose and objectives of the Policy is focused on promoting the fulfilment of the tasks entrusted to the members of the Management Board, the achievement of business results at the assumed level or exceeding expectations, as well as promoting the increase of the Company's operational, business and organisational efficiency.

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

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The policy regulates, among other things:

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

Supervisory Board Members

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

- Chairperson of the Supervisory Board – twice the amount of the average monthly remuneration in the enterprise sector without out of profit payments, calculated using the 1.7 ratio,
- President of the Audit Committee of the Supervisory Board – twice the amount of the average monthly remuneration in the enterprise sector without out of profit payments, calculated using the 1.5 ratio,
- President of the Investment Committee of the Supervisory Board – twice the amount of the average monthly remuneration in the enterprise sector without out of profit payments, calculated using the 1.3 ratio,
- President of the Remuneration Committee of the Supervisory Board – twice the amount of the average monthly remuneration in the enterprise sector without out of profit payments, calculated using the 1.3 ratio,
- Deputy Chairperson of the Supervisory Board – twice the amount of the average monthly remuneration in the enterprise sector without out of profit payments, calculated using the 1.1 ratio,
- Secretary of the Supervisory Board – twice the amount of the average monthly remuneration in the enterprise sector without out of profit payments, calculated using the 1.2 ratio,
- Supervisory Board Member – twice the amount of the average monthly remuneration in the enterprise sector without out of profit payments, calculated using the 1.1 ratio.

Management Board Members

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

In addition, the Supervisory Board performs all labour-law based activities in relations between Budimex SA and members of the Management Board. Employment contracts with members of the Management Board are signed by the Chairperson of the Supervisory Board on behalf of the Supervisory Board.

Members of the Management Board of Budimex SA ("Company"), in connection with the work performed and position occupied on the Management Board, are employed at either Budimex SA or at subsidiary companies where they receive remuneration based on an employment contract concluded for a fixed term of office, with a termination notice period resulting from the Labour Code provisions. In addition, the employment contracts provide for severance pay in the amount of 6-12 monthly salaries, depending on the position, in the case of removal or non-appointment for the next term of office of the Management Board for reasons due to the Company. Where the contract is terminated due to an employee's resignation or his/her wilful misconduct to the detriment of the Company, severance pay is not paid and only the termination notice period resulting from the applicable Labour Code provisions remains in effect.

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

Information on the remuneration of Members of the Management Board was presented in Note 40.1 to the consolidated financial statements of the Budimex Group and in Note 40 to the financial statements of Budimex SA.

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

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

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

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

Key managers

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

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

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

Non-financial components of remuneration

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

Significant changes to the remuneration policy

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

Assessment of the remuneration policy

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

7 REPORT ON NON-FINANCIAL INFORMATION

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

8 REPRESENTATION BY THE MANAGEMENT BOARD

To the best of our knowledge, the consolidated financial statements of the Budimex Group and financial statements of Budimex SA for the twelve-month period ended 31 December 2021 and the comparative data have been prepared in compliance with the applicable accounting standards and give a clear, true and fair view of the assets, financial conditions and financial performance of the Budimex Group and Budimex SA. The Directors' Report gives a true view of the development, achievements and position of the Budimex Group and Budimex SA; it also includes a description of key risks and threats.

Pursuant to the representation by the Supervisory Board of Budimex SA, we hereby inform that the audit firm carrying out the audit of the consolidated financial statements of the Budimex Group and the financial statements of Budimex SA for the 12-month period ended 31 December 2021 – Ernst & Young Audyty Polska spółka z ograniczoną odpowiedzialnością sp. k. – has been selected in accordance with the regulations, including those concerning the selection and procedure for the selection of the audit firm, and that:

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

Warsaw, 21 March 2022

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

Artur Popko President of the Management Board	
Jacek Daniewski Member of the Management Board	
Marcin Węglowski Member of the Management Board	
Artur Pielech Member of the Management Board	