



The Polish original should be referred to in matters of interpretation.
Translation of auditor's report originally issued in Polish.

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INDEPENDENT AUDITOR'S REPORT ON THE AUDIT

To the Shareholders Meeting and Supervisory Board of Budimex S.A.

Audit report on the annual financial statements

Opinion

We have audited the annual financial statements of Budimex S.A. (the 'Company') located in Warsaw at Siedmiogrodzka 9 Street, containing: the statement of financial position as at 31 December 2019, the profit and loss account, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the period from 1 January 2019 to 31 December 2019 and notes to the financial statements, including a summary of significant accounting policies (the 'financial statements').

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Company as at 31 December 2019 and its financial performance and its cash flows for the period from 1 January 2019 to 31 December 2019 in accordance with required applicable rules of International Financial Reporting Standards approved by the European Union and the adopted accounting policies,
- are in respect of the form and content in accordance with legal regulations governing the Company and the Company's Statute,
- have been prepared based on properly maintained accounting records, in accordance with chapter 2 of the Accounting Act dated 29 September 1994 (the 'Accounting Act').

The opinion is consistent with the additional report to the Audit Committee issued on 24 March 2020.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing in the version adopted as the National Auditing Standards by the National Council of Statutory Auditors ("NAS") and pursuant to the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (the 'Act on Statutory Auditors') and the Regulation (EU) No. 537/2014 of the European Parliament and of the Council

of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (the 'Regulation 537/2014'). Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report.

We are independent of the Company in accordance with the Code of ethics for professional accountants, published by the International Federation of Accountants (the 'Code of ethics'), adopted by the National Council of Statutory Auditors and other ethical responsibilities in accordance with required applicable rules of the audit of financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of ethics. While conducting the audit, the key certified auditor and the audit firm remained independent of the Company in accordance with the independence requirements set out in the Act on Statutory Auditors and the Regulation 537/2014.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. They include the most significant assessed risks of material misstatement, including the assessed risks of material misstatement due to fraud. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we have summarized our reaction to these risks and in cases where we deemed it necessary, we presented the most important observations related to these types of risks. We do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
<i>Revenue recognition and provisions for expected contracts' losses</i>	
<p>The Company presents in the financial statements for the year ended 31 December 2019 revenue from construction contracts amounting to 6 874 million Polish zloty.</p> <p>The revenue recognition method often requires the identification of more than one performance obligation within contracts with customers, determining when performance obligations were satisfied and determination of the transaction price.</p>	<p>During the audit of the financial statements we have assessed the revenue recognition and its presentation accounting policies according to IFRS 15 <i>Revenue from Contracts with Customers</i>.</p> <p>For significant revenue streams:</p> <ul style="list-style-type: none"> ▶ we have documented the processes and key internal controls existing in the Company. For selected controls we have performed tests of its operational effectiveness; ▶ for services for which revenue is recognized over the time, based on selected sample,

In case of construction contracts the Company recognizes revenue as at each balance sheet date based on physical measurement of the construction works performed or as a percentage of completion of the costs incurred in total planned costs.

The Company estimates contracts' budgets, including detailed costs necessary to complete the contract and determining total contract result. Based on estimated result of the contract, the Company does recognize or derecognize the provision for expected contract losses. Due to technical complexity and the scale of the construction contracts, revenue recognition includes the risk of incorrect physical measurement of realized works.

The estimates in respect of contracts' budgets, relating to both planned contract costs as well as already recognized revenue, involve significant judgement of the Company's Management and include a risk of incorrectly defined scope of work or costs to complete the contract. Those can result in misstated estimate of planned result of the contracts and as a result may impact the amount of provision for expected contract losses.

Furthermore, taking into account the subsequent events after the balance sheet date, including the impact of spreading epidemics of COVID-19, especially potential absence of own employees and subcontractors', as well as difficulties in the supply foreign chain of specified materials and goods, the current situation may impact contracts budgets' estimates, including the risk of contracts' delays compared to the final due dates of performed contracts.

we have performed tests of details on determination of transaction price and recognized revenue, as well as determination of contracts' budgets, which were the basis for calculation and recognition of provisions for expected contracts' losses;

- ▶ we have performed the analysis of historical budgets realization for significant contracts finalized during the financial year, comparing the budgets and forecasts of the open contracts and also in order to confirm existing trends in costs of materials and labor prices, which are substantially determining the estimate of costs, which will be incurred to complete a contract. We have checked whether observed trends in costs were reflected in the budgets of contracts selected for the purpose of our tests of details;
- ▶ for a sample of significant contracts:
 - we analyzed the relevant clauses within the contracts, costs and revenue budgets, as well as discussed with the Company's Management the changes that occurred during the reporting period,
 - we have discussed with project managers key budgets assumptions, risks and status of realized contracts,
 - we have verified the sales invoices issued after the balance sheet date in order to verify whether the calculated revenue from the construction contract is reflected by the invoices issued,
 - we have performed site visits on selected contracts;
- ▶ for a sample of contracts for which provisions for expected contracts' losses are recognized:
 - we have performed procedures to reconcile the correctness of the provision calculation and recognition in accordance with IAS 37

<p>The above events and circumstances may constitute a force majeure situation.</p> <p>Considering the above, we determined that the revenue recognition and provisions for losses on construction contracts are key audit matters.</p> <p>Revenue recognition accounting policy is disclosed in note 5.16 of the financial statements, while significant estimates and judgments in the revenue recognition and provision for expected contracts' losses calculation are disclosed in note 6.2.</p> <p>In note 29 of additional notes to the financial statements, the Group included detailed data on revenue recognition required by IFRS 15 <i>Revenue from Contracts with Customers</i>.</p>	<p><i>Provisions, Contingent Liabilities and Contingent Assets,</i></p> <ul style="list-style-type: none"> - we have discussed with the Management and project managers the assumptions for contracts' budgets and probability of changes of assumed contracts' results; ▶ we have analyzed subsequent events after the balance sheet date, including considerations and discussions with the Management as to the potential impact of spreading epidemics of COVID-19 on the contracts' budgets, as well as the risk of failure to meet contractual deadlines of performed contracts. <p>During the audit we have also assessed the scope and adequacy of the disclosures made relating to revenue recognition and provisions recognized for expected contracts' losses in the financial statements.</p>
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Responsibilities of the Company's Management and members of the Supervisory Board for the financial statements

The Company's Management is responsible for the preparation, based on properly maintained accounting records, the financial statements that give a true and fair view of the financial position and the financial performance in accordance with required applicable rules of International Accounting Standards, International Financial Reporting Standards approved by the European Union, the adopted accounting policies, other applicable laws, as well as the Company's Statute, and is also responsible for such internal control as determined is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Company's Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Company's Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Company's Management and the members of the Company's Supervisory Board are required to ensure that the financial statements meet the requirements of the Accounting Act. The members of the Company's Supervisory Board are responsible for overseeing the Company's financial reporting process.

Auditor's responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not guarantee that an audit conducted in accordance with NAS will always detect material misstatement when it exists. Misstatements may arise as a result of fraud or error and are considered material if it can reasonably be expected that individually or in the aggregate, they could influence the economic decisions of the users taken on the basis of these financial statements.

In accordance with International Auditing Standard 320, section 5, the concept of materiality is applied by the auditor both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. Hence all auditor's assertions and statements contained in the auditor's report are made with the contemplation of the qualitative and quantitative materiality levels established in accordance with auditing standards and auditor's professional judgment.

The scope of the audit does not include assurance on the future profitability of the Company nor effectiveness of conducting business matters now and in the future by the Company's Management.

Throughout the audit in accordance with NAS, we exercise professional judgment and maintain professional skepticism and we also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control,
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control,
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's Management,
- conclude on the appropriateness of the Company's Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report, however, future events or conditions may cause the Company to cease to continue as a going concern,

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other information, including the Directors' Report

The other information comprises the Directors' Report for the period from 1 January 2019 to 31 December 2019, the representation on the corporate governance and the statement on non-financial information, mentioned in article 49b, section 1 of the Accounting Act (jointly 'Other Information').

Responsibilities of the Company's Management and members of the Supervisory Board

The Company's Management is responsible for the preparation of the Other Information in accordance with the law.

The Company's Management and members of the Company's Supervisory Board are required to ensure that the Directors' Report (with separate elements) meets the requirements of the Accounting Act.

Auditor's responsibility

Our opinion on the financial statements does not include the Other Information. In connection with our audit of the financial statements, our responsibility is to read the Other Information and, in doing so, consider whether it is materially inconsistent with the financial statements or our knowledge obtained during the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact in our independent auditor's report. Our responsibility in accordance with

the Act on Statutory Auditors is also to issue an opinion on whether the Directors' Report was prepared in accordance with relevant laws and that it is consistent with the information contained in the financial statements.

In addition, we are required to inform whether the Company has prepared the representation on non-financial information and to issue an opinion on whether the Company has included the required information in the representation on application of corporate governance.

Opinion on the Directors' Report

Based on the work performed during our audit, in our opinion, the Directors' Report:

- has been prepared in accordance with the article 49 of the Accounting Act and paragraph 70 of the Decree of the Minister of Finance dated 29 March 2018 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (the 'Decree on current and periodic information'),
- is consistent with the information contained in the financial statements.

Moreover, based on our knowledge of the Company and its environment obtained during our audit, we have not identified material misstatements in the Directors' Report.

Opinion on the corporate governance application representation

In our opinion, in the representation on application of corporate governance, the Company has included information stipulated in paragraph 70, section 6, point 5 of the Decree on current and periodic information.

Moreover, in our opinion, the information stipulated in paragraph 70, section 6, point 5 letter c-f, h and i of the Decree included in the representation on application of corporate governance is in accordance with applicable laws and information included in the financial statements.

Information on non-financial information

In accordance with the requirements of the Act on Statutory Auditors, we inform that the Company has included in Directors' Report information on the preparation of a separate report on non-financial information, referred to in art. 49b par. 9 of the Accounting Act and that the Company has prepared such a separate report.

We have not performed any attestation procedures services in respect to the separate report on non-financial information and do not express any assurance in its respect.

Representation on the provision of non-audit services

To the best of our knowledge and belief, we declare that we have not provided services other than audits of the financial statements to the Company and its subsidiaries, which are prohibited based on article 5 item 1 of Regulation 537/2014 and article 136 of the Act on Statutory Auditors.

Appointment of the audit firm

We were appointed for the audit of the Company's financial statements initially based on the resolution of the Company's Supervisory Board dated 28 March 2017 and reappointed based on the resolution from 15 May 2019. The financial statements of the Company have been audited by us uninterruptedly starting from the financial year ended on 31 December 2017, i.e. for the past three consecutive years.

Key Certified Auditor

Marcin Zieliński
certified auditor
no in the register: 10402

on behalf of:
Ernst & Young Audył Polska spółka
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Rondo ONZ 1, 00-124 Warsaw
no on the audit firms list: 130

Warsaw, 24 March 2020