THE BUDIMEX GROUP

CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

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

Table of contents

(all amounts are expressed in PLN thousand)

Consolidated statement of financial position

ASSETS	Note	31 December 2020	31 December 2019
Non-current (long-term) assets			
Property, plant and equipment	9	548 812	512 921
Investment property	10	9 876	7 721
Intangible assets	11	162 030	168 822
Goodwill of subordinated entities	12	168 508	168 508
Investments in equity accounted entities	13	2 221	2 076
Investments in equity instruments	14	6 922	7 816
Retentions for construction contracts	28	40 843	59 212
Trade and other receivables	16	28 550	41 887
Receivables from service concession arrangements	15	46 654	46 690
Deferred tax assets	23	521 851	418 889
Total non-current (long-term) assets		**1 536 267**	**1 434 542**
Current (short-term) assets			
Inventories	17	1 998 255	2 013 756
Trade and other receivables	16	918 039	1 096 157
Retentions for construction contracts	28	28 770	48 433
Valuation of construction contracts	26	594 315	444 008
Current tax assets		338	108
Other financial assets	14, 15	1 858	120 978
Cash and cash equivalents	18	2 384 398	1 515 977
Total current (short-term) assets		**5 925 973**	**5 239 417**
TOTAL ASSETS		**7 462 240**	**6 673 959**

(all amounts are expressed in PLN thousand)

Consolidated statement of financial position (cont.)

EQUITY AND LIABILITIES	Note	31 December 2020	31 December 2019
EQUITY			
Issued capital	19	145 848	145 848
Share premium	19	87 163	87 163
Other reserves	24, 38	(139)	1 180
Cumulative translation differences		6 473	7 000
Retained earnings		910 006	566 958
Shareholders' equity attributable to the shareholders of the Parent		**1 149 351**	**808 149**
Equity attributable to non-controlling interests	20	**37 920**	**28 491**
Total equity		**1 187 271**	**836 640**
LIABILITIES			
Non-current (long-term) liabilities			
Loans, borrowings and other external sources of finance	21	261 663	273 258
Retentions for construction contracts	28	240 263	229 522
Provisions for long-term liabilities and other charges	25	593 398	498 422
Retirement benefits and similar obligations	24	18 505	14 979
Other financial liabilities	14	21 264	19 807
Deferred tax liabilities	23	4 642	13 404
Total non-current (long-term) liabilities		**1 139 735**	**1 049 392**
Current (short-term) liabilities			
Loans, borrowings and other external sources of finance	21	189 067	177 108
Trade and other payables	22	1 371 850	1 530 773
Retentions for construction contracts	28	216 458	215 032
Provisions for losses on construction contracts	26	310 441	240 677
Valuation of construction contracts	26	1 302 164	951 448
Deferred income	27	1 469 626	1 356 310
Provisions for short-term liabilities and other charges	25	227 111	216 746
Current tax liability		44 815	96 653
Retirement benefits and similar obligations	24	1 623	1 877
Other financial liabilities	14	2 079	1 303
Total current (short-term) liabilities		**5 135 234**	**4 787 927**
Total liabilities		**6 274 969**	**5 837 319**
TOTAL EQUITY AND LIABILITIES		**7 462 240**	**6 673 959**

(all amounts are expressed in PLN thousand)

Consolidated profit and loss account

	Note	Year ended 31 December 2020	2019
Continuing operations			
Net sales of finished goods, services, goods for resale and raw materials	29	8 382 240	7 569 663
Cost of finished goods, services, goods for resale and raw materials sold	30	(7 445 207)	(7 018 111)
Gross profit on sales		**937 033**	**551 552**
Selling expenses	30	(31 273)	(30 478)
Administrative expenses	30	(276 966)	(198 992)
Other operating income	32	138 737	99 453
Other operating expenses	32	(128 959)	(103 141)
Operating profit		**638 572**	**318 394**
Finance income	33	34 708	60 127
Finance costs	33	(51 385)	(50 949)
Shares in net profits/ (losses) of equity accounted subordinates	13	145	4 785
Gross profit		**622 040**	**332 357**
Income tax	23	(150 646)	(103 506)
Net profit from continuing operations		**471 394**	**228 851**
Net profit for the period		**471 394**	**228 851**
of which:			
Attributable to the shareholders of the Parent		***459 465***	***226 014***
Attributable to non-controlling interests	*20*	*11 929*	*2 837*

Basic and diluted earnings per share attributable to the shareholders of the Parent (in PLN)	*34*	*18.00*	*8.85*

(all amounts are expressed in PLN thousand)

Consolidated statement of comprehensive income

		Year ended 31 December	
		2020	**2019**
Net profit for the period		**471 394**	**228 851**
Other comprehensive income which:			
Items to be reclassified to profit or loss upon satisfaction of certain conditions:			
Cumulative translation differences	36	(527)	53
Deferred tax related to components of other comprehensive income		-	-
Items not to be reclassified to profit or loss:			
Actuarial gains/ (losses)	24	(1 627)	(518)
Deferred tax related to components of other comprehensive income	23	308	98
Other comprehensive income, net		**(1 846)**	**(367)**
Total comprehensive income for the period		**469 548**	**228 484**
of which:			
Attributable to the shareholders of the Parent		***457 619***	***225 647***
Attributable to non-controlling interests	*20*	*11 929*	*2 837*

(all amounts are expressed in PLN thousand)

Consolidated statement of changes in equity

	Equity attributable to the shareholders of the Parent								
			Other reserves						
	Issued capital	Share premium	Share-based payments	Actuarial gains/ (loses)	Cumulative translation differences	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 1 January 2020	**145 848**	**87 163**	**7 171**	**(5 991)**	**7 000**	**566 958**	**808 149**	**28 491**	**836 640**
Profit for the period	-	-	-	-	-	459 465	459 465	11 929	**471 394**
Other comprehensive income	-	-	-	(1 319)	(527)	-	(1 846)	-	**(1 846)**
Total comprehensive income for the period	-	-	-	**(1 319)**	**(527)**	**459 465**	**457 619**	**11 929**	**469 548**
Payment of dividend by Budimex SA (note 35)	-	-	-	-	-	(116 417)	(116 417)	-	**(116 417)**
Payment of dividend to non-controlling shareholders (note 20)	-	-	-	-	-	-	-	(2 500)	**(2 500)**
Balance as at 31 December 2020	**145 848**	**87 163**	**7 171**	**(7 310)**	**6 473**	**910 006**	**1 149 351**	**37 920**	**1 187 271**

(all amounts are expressed in PLN thousand)

Consolidated statement of changes in equity (cont.)

	Equity attributable to the shareholders of the Parent								
			Other reserves						
	Issued capital	Share premium	Share-based payments	Actuarial gains/ (loses)	Cumulative translation differences	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 1 January 2019	**145 848**	**87 163**	**7 171**	**(5 571)**	**6 947**	**501 783**	**743 341**	**7 136**	**750 477**
Profit for the period	-	-	-	-	-	226 014	226 014	2 837	**228 851**
Other comprehensive income	-	-	-	(420)	53	-	(367)	-	**(367)**
Total comprehensive income for the period	-	-	-	**(420)**	**53**	**226 014**	**225 647**	**2 837**	**228 484**
Acquisition of control over associate	-	-	-	-	-	-	-	21 444	**21 444**
Dividend payment by Budimex SA	-	-	-	-	-	(160 839)	(160 839)	-	**(160 839)**
Payment of dividend to non-controlling shareholders (note 20)	-	-	-	-	-	-	-	(2 926)	**(2 926)**
Balance as at 31 December 2019	**145 848**	**87 163**	**7 171**	**(5 991)**	**7 000**	**566 958**	**808 149**	**28 491**	**836 640**

(all amounts are expressed in PLN thousand)

Consolidated statement of cash flows

	Note	Year ended 31 December 2020	2019
CASH FLOW FROM OPERATING ACTIVITIES			
Gross profit		**622 040**	**332 357**
Adjustments for:			
Depreciation/ amortisation	30	137 524	105 679
Shares in net (profits)/ losses of equity accounted subordinates	13	(145)	(4 785)
Foreign exchange (gains)/ losses		1 891	(543)
Interest and shares in profits (dividends)		8 535	7 961
(Profit)/ loss on investing activities		(1 552)	(58 740)
Change in valuation of derivative financial instruments	14.2	509	4 588
Change in provisions and liabilities arising from retirement benefits and similar obligations		106 986	119 732
Other adjustments	36	(163)	(146)
Operating profit/ (loss) before changes in working capital		**875 625**	**506 103**
Change in receivables and retentions for construction contracts		199 045	(205 718)
Change in inventories		15 351	(305 181)
Change in retentions for construction contracts and in liabilities, except for loans and borrowings		(145 205)	(271 917)
Change in deferred income	27	113 316	359 615
Change in the balance of valuation of construction contracts and provision for losses on construction contracts		270 173	576 436
Change in cash and cash equivalents of restricted use	18	(127 138)	(34 638)
Cash flow from operating activities		**1 201 167**	**624 700**
Income tax paid		(313 655)	(50 352)
NET CASH FLOW FROM OPERATING ACTIVITIES		**887 512**	**574 348**

(all amounts are expressed in PLN thousand)

Consolidated statement of cash flows (cont.)

	Note	Year ended 31 December 2020	2019
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of intangible assets and property, plant and equipment		6 981	6 169
Proceeds from sale of investment properties		30 000	20 365
Purchase of investment properties	10	-	(7 769)
Purchase of intangible assets and property, plant and equipment		(61 250)	(43 764)
Disposal of investments in equity instruments	14.3	-	1 708
Purchase of shares in subsidiary companies		-	(44 365)
Increase in equity of non-consolidated entities	14.3	(225)	(70)
Purchase of shares in jointly-controlled entities		-	(73)
Purchase of bonds issued by banks	14.4	(269 079)	(119 588)
Proceeds from bonds issued by banks	14.4	388 667	-
Loans granted	14.1	(15 000)	-
Repayment of loans granted	14.1	15 000	-
Dividends received	13; 33	-	24
Interest received	14.1;14.4	1 335	2 103
NET CASH FLOW FROM/ (USED IN) INVESTING ACTIVITIES		**96 429**	**(185 260)**
CASH FLOW FROM FINANCING ACTIVITIES			
Loans and borrowing taken out		4 359	26 411
Repayment of loans and borrowings		(34 550)	(91 016)
Dividends paid to the shareholders of the Parent	35	(116 417)	(160 839)
Dividends paid to non-controlling shareholders	20	(2 500)	(2 926)
Payments of lease liabilities	40	(81 963)	(73 962)
Interest paid		(11 890)	(13 326)
Other financial expenditure		(703)	(815)
NET CASH USED IN FINANCING ACTIVITIES		**(243 664)**	**(316 473)**
TOTAL NET CASH FLOW		**740 277**	**72 615**
Foreign exchange differences on cash and cash equivalents, net		1 006	(428)
CASH AND CASH EQUIVALENTS - OPENING BALANCE	**18**	**1 340 215**	**1 268 028**
CASH AND CASH EQUIVALENTS - CLOSING BALANCE	**18**	**2 081 498**	**1 340 215**
Cash and cash equivalents of disposable groups		-	-
TOTAL CASH AND CASH EQUIVALENTS OF THE GROUP		**2 081 498**	**1 340 215**

Notes to the consolidated financial statements

1. General information

The parent company of the Budimex Group (hereinafter the "Group") is Budimex SA (the "Parent Company", the "Company" or the "Parent") with its registered office in Warsaw, ul. Siedmiogrodzka 9, a joint stock company entered in the Register of Entrepreneurs kept by the District Court for the capital city of Warsaw, 13th Economic Department of the National Court Register under entry KRS No. 1764.

The main scope of the Parent Company's business activities are broadly understood construction and assembly services, and rendering management and advisory services to other companies in the Budimex Group. The industry branch in which the Parent Company operates was classified by the Warsaw Stock Exchange as general construction.

The main area of Group business activities are broadly understood construction and assembly services rendered under the system of general contracting at home and abroad, property development activities, property management, as well as production and service rendering activities. Apart from the construction business, Budimex SA serves in the Group as an advisory, management and financial centre. These three functions are aimed at securing:

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

The Parent Company and other Group companies have an unlimited period of operation.

The Budimex Group operates as part of the Ferrovial Group with Ferrovial SA with its registered office in Madrid, Spain, as its parent company.

These consolidated financial statements were authorized by the Management Board of the Parent Company on 22 March 2021.

Changes in the composition of the Parent Company's Management Board were presented in the Directors' Report on the activities of Budimex Group for 2020.

1.1 Going concern assumption

The consolidated financial statements of the Group for the year 2020 were prepared on the assumption that the Group companies will continue as going concerns in the foreseeable future. As at the date of signing these consolidated financial statements, the Management Board of the Parent Company is not aware of any facts or circumstances that would indicate any threat to the main Group companies' continued activities after the reporting date due to an intended or compulsory withdrawal from or a significant limitation in their activities. A significant event after the reporting date, which was concluding a conditional sale agreement of shares in Budimex Nieruchomości Sp. z o.o., which was described in note 43, does not affect the Group companies' going concern assumption. The COVID-19 pandemic did not affect the Group companies' going concern assumption either.

2. Key accounting policies

The main accounting policies applied during the course of the preparation of these consolidated financial statements are presented below. These accounting policies were applied consistently in all the periods presented, except for the application of new or amended standards and interpretation applicable to annual periods beginning on or after 1 January 2020.

2.1 Basis of preparing consolidated financial statements and statement of compliance

These consolidated financial statements for the year ended 31 December 2020 were prepared in accordance with International Financial Reporting Standards ("IFRS") endorsed by the European Union ("EU") and binding as at the reporting date of these consolidated financial statements**.**

Amendments to International Financial Reporting Standards applied for the first time in 2020

In the financial year ended 31 December 2020, the Group applied for the first time the following amendments to IFRSs:

- Amendments to IFRS 9 „Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" – *"Interest Rate Benchmark Reform",*
- Amendments to IAS 1 „Presentation of Financial Statements" and IAS 8 „Accounting Policies, Changes in Accounting Estimates and Errors" – *Definition of Materiality*",
- Amendments to References to the Conceptual Framework in IFRS Standards,
- Amendments to IFRS 3 „Business Combinations"

- Amendment to IFRS 16 „Leases" – *"Covid-19-Related Rent Concessions"*.

The above Amendments to Standards did not have any material impact on the consolidated financial statements.

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

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

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – IBOR reform - Phase 2 (effective for annual periods beginning on or after 1 January 2021),
- Amendments to IFRS 4 „Insurance contracts" – *Deferral of effective date of IFRS 9* (effective for annual periods beginning on or after 1 January 2021).

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

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

- IFRS 14 „Regulatory Deferral Accounts" – according to the decision of the European Union, standard endorsement process in its draft form will not be initiated before publication of standard's final version (effective for annual periods beginning on or after 1 January 2016),
- IFRS 17 „Insurance contracts" (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IFRS 10 „Consolidated Financial Statements" and IAS 28 „Investments in Associates and Joint Ventures" – *"Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"* – work leading to the endorsement of these changes was postponed indefinitely by the EU – the date of amendments becoming effective was indefinitely deferred by the IASB,
- Amendments to IAS 1 „Presentation of Financial Statements" – *"Classification of Liabilities as Current or Non-current — Deferral of Effective Date" (*effective for annual periods beginning on or after 1 January 2023),
- Amendments to IFRS 3 „Business combinations", IAS 16 „Property, plant and equipment" and IAS 37 „Provisions, Contingent Liabilities and Contingent Assets" (effective for annual periods beginning on or after 1 January 2022),
- Annual Improvements to IFRSs (Cycle 2018-2020), (effective for annual periods beginning on or after 1 January 2022),
- Amendments to IAS 1 „Presentation of financial statements" and Handbook of IFRS 2: Disclosure of accounting rules and principles (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 8 „Accounting Policies, Changes in Accounting Estimates and Errors" (effective for annual periods beginning on or after 1 January 2023).

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction on the principal (or the most advantageous) market at the measurement date and under current market conditions, irrespective of whether the price is directly observable or estimated using another valuation technique. When re-measuring an asset or a liability to fair value, the Group takes into account factors specific to the asset or liability, provided such factors are considered by market participants at asset or liability measurement date. For the purpose of measurement and/or disclosure in the consolidated financial statements of the Group, fair value is defined on the above basis, except for share-based payments which are within the scope of IFRS 2, leasing transactions which are within the scope of MSSF 16, as well as measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

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

- Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 inputs: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices),
- Level 3 inputs: input data for the asset or liability that are not based on observable market data (i.e. unobservable source data).

2.2 Principles of consolidation

Subsidiary companies

The consolidated financial statements comprise the financial statements of the Parent Company and the financial statements of the entities controlled by the Parent Company prepared as at the reporting date. Control takes place where the Parent Company controls the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiary companies are subject to full consolidation from the date the Group obtains control over them until such time as the control ends. Comprehensive income of subsidiary companies is attributable to the owners of the Parent Company and to non-controlling interests, even if such attribution results in a deficit balance of non-controlling interests.

The financial statements of subsidiary companies are prepared for the same reporting period as the financial statements of the Parent Company using uniform accounting policies for like transactions and other events in similar circumstances.

Consolidation procedure

The following policies were observed while performing full consolidation of subsidiary companies:

- all like items of assets and liabilities of subsidiary companies and the Parent Company were combined in full amounts, irrespective of the share (interest) of the Parent Company in those assets and liabilities,
- all like items of revenues and expenses of subsidiary companies and the Parent Company were combined in full amounts, irrespective of the ownership share of the Parent Company of (interest in) the given subsidiary (i.e. irrespective of the Parent's interest in the given subsidiary),
- consolidation adjustments and exclusions were made after data combining.

The following were excluded from the consolidated financial statements:

- equity of subsidiary companies that originated prior to obtaining control over those entities,
- value of shares in the subsidiary companies held by the Parent Company or other entities consolidated by subsidiaries,
- intra-Group receivables and liabilities and other similar settlements of the entities included in consolidation,
- revenues and costs arising from business operations between entities included in consolidation,
- unrealised, from the point of view of the Group, gains from operations between entities included in consolidation, and included in the value of consolidated assets and liabilities, as well as unrealised losses, unless the transaction proves the impairment of the asset acquired,
- dividends accrued or paid by subsidiary companies to the Parent Company or to other entities subject to consolidation.

The consolidated net result is allocated to the shareholders of the Parent Company and to non-controlling interests.

Associates

An associate is an entity over which the Parent Company has significant influence and which is not a subsidiary of the investor or a joint arrangement of the investor. Significant influence means the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

Investments (shares) in associates are measured using the equity method, except where the investment is classified as held for sale. Investments in associates are stated at acquisition cost after considering changes in the Group's share in net assets of the company that occurred until the reporting date, less impairment of individual investments. Losses of associates in excess of the Group's investment in the associate are *not* recognised, insofar as there is no commitment by the Parent to absorb losses or to make payment on behalf of the associate.

Any excess of acquisition cost above the Group's share of the net fair value of net identifiable assets (inclusive of contingent liabilities) of an associate at acquisition date is recognised as goodwill, and increases the value of the investment in associate. Where the acquisition cost is lower than the Group's share of the fair value of net identifiable assets (inclusive of contingent liabilities) of an associate at acquisition date, the difference is recognised as gain at the time of establishing Group's share in the associate's profit or loss for the period in which the acquisition took place.

Joint arrangements

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

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

Transactions with non-controlling interests without control change effect

Transactions with non-controlling interests without control change effect are recorded in correspondence with equity.

Acquisitions of entities

Assumption of control by the Group over an entity, including over a jointly controlled entity, is accounted for using the purchase method.

The consideration transferred in a business combination transaction is measured at fair value and is calculated as the sum of the acquisition-date fair value of assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity instruments issued by the Group in exchange for obtaining control over the acquiree. Acquisition related costs are recognised in the profit or loss when incurred.

At acquisition date, the identifiable assets and liabilities are measured at fair value, except for the following:

- assets and liabilities from deferred income tax or related to employee benefit arrangements, are recognised and measured in accordance with IAS 12 “Income Tax” and IAS 19 “Employee Benefits”,
- liabilities or equity instruments relating to share-based payment programs operated by the acquiree or the Group that are to replace similar arrangements operated by the acquiree are measured in accordance with IFRS 2 "Share-based Payment" at the acquisition date, and
- acquired non-current assets (or disposable groups) classified as held for sale at the acquisition date are measured in accordance with the requirements of IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations".

Goodwill is recognised as the excess between the aggregate of the consideration transferred, any non-controlling interests in the acquired entity (acquiree) and the acquisition-date fair value of the acquirer’s previously held equity interest (shares) in the acquiree, and the net identifiable assets acquired and liabilities assumed. If after another testing, the acquisition-date net value of identifiable assets and liabilities exceeds the aggregate of the consideration transferred, any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer’s previously held equity interest in the acquiree, the surplus is recognised directly in profit or loss as gain from a bargain purchase.

Non-controlling interests (NCIs) that represent ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of entity’s liquidation are initially measured at either fair value or the NCI’s proportionate share of net identifiable assets of the acquiree. Measurement method is selected by the Group on a transaction by transaction basis.

If the consideration paid in business acquisition includes any contingent asset or contingent liability, the contingent consideration is measured at the acquisition-date fair value and is recognised as part of the consideration transferred in business acquisition transaction. Changes in the fair value of a contingent consideration representing measurement period adjustments are recognised retrospectively in correspondence with appropriate goodwill adjustments. Measurement period adjustments are the adjustments that arise from obtaining additional information on the measurement period (which cannot be longer than one year from the acquisition date) about the facts and circumstances that existed at the acquisition date.

Changes in the fair value of contingent consideration which do not qualify as measurement period adjustments are accounted for depending on the classification of the contingent consideration. If the contingent consideration is classified as an equity instrument, the original amount is not re-measured and its subsequent settlement is accounted for within equity. If the additional contingent consideration is classified as an asset or liability that is a financial instrument, the contingent consideration is measured at fair value and any resultant gains or losses are recognised in profit or loss.

In case of a business combination achieved in stages, the Group re-measures its previously held equity interest in the acquiree to the acquisition-date fair value and recognises the resulting gain or loss in profit or loss. Any amounts arising from equity interest in the acquiree in prior reporting periods and recognised in other comprehensive income are taken to profit or loss, if such treatment would be correct upon equity interest disposal.

If the initial accounting for business combination is not complete by the end of the reporting period in which the combination occurs, the Group reports in its financial statements provisional amounts for the items, for which the accounting is incomplete. During the measurement period, the Group retrospectively adjusts the provisional amounts recognised at the acquisition date (see above) or recognises additional assets or liabilities to reflect new information obtained about facts and circumstances that existed as of the acquisition date, which, if known, would affect the amounts recognised as at that date.

Loss of control

Where the Group loses control of a subsidiary, assets or liabilities of a former subsidiary are de-recognised from the statement of financial position and any resulting gain or loss is calculated as a difference between:

- the sum total of the fair value of the consideration received and fair value of the investment retained, and
- the carrying amount of assets (including goodwill) and liabilities of the subsidiary,

and recognised in profit or loss. At the date of loss of control, the fair value of an investment retained in the former subsidiary is treated as fair value upon investment initial recognition, which is subsequently accounted for in accordance with IFRS 9 "Financial

Instruments", or is treated as cost upon initial recognition of an investment in an associate or jointly controlled entity.

2.3 Foreign currency transactions and valuation of foreign currency items

Functional and presentation currency

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

Transactions and balances

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

At each reporting date:

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

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

Foreign operations of subsidiaries and interest in subsidiaries with different functional currencies

The financial result, assets, equity and liabilities of foreign operations of Group entities as well as those of the Group subsidiaries with a functional currency other than that of the Parent Company (provided their functional currency is not the currency of a hyperinflationary economy) are translated into Polish zloty as follows:

- assets and liabilities of branches and of each of the presented statement of financial position of a company with a different functional currency (i.e. including comparative data) are translated using the closing rate prevailing at the reporting date,
- revenues and costs in each profit and loss account (i.e. including comparative data) are translated using the average exchange rate (unless application of the average exchange rate would materially differ from the values obtained using the exchange rate prevailing on the transaction date),
- all resultant exchange differences are recognised as a separate item of other comprehensive income, and accumulated as an item of equity under "Cumulative translation differences".

In the event of disposal of a foreign operation, the cumulative amount of deferred foreign exchange differences recognised as a separate item of equity is recognised in the financial result upon recognition of profit or loss on disposal of this entity.

2.4 Property, plant and equipment

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

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

- right-of-use asset – perpetual usufruct right to land 2 – 100 years
- own buildings and constructions 2 – 67 years
- right-of-use asset – buildings and constructions 2 - 10 years
- own plant and machinery 2 – 30 years
- right-of-use-asset – plant and machinery 2 – 25 years
- own means of transport 2 – 17 years
- right-of-use asset - means of transport 2 – 17 years
- own other [tangible] fixed assets 2 – 17 years

- right-of-use asset - own other [tangible] fixed assets 2 – 17 years

Any subsequent expenditure is included in the carrying amount of a given fixed asset or is recognised as a separate item, if and only if it is probable that an inflow of economic benefits will flow to the Group and the cost of the item may be reliably measured. Other costs incurred since the initial recognition such as costs of repair, overhaul or operating fees affect the financial result for the reporting period, in which they were incurred, except for the significant costs of overhauls which are recognised in the carrying amount of (capitalised in) the appropriate item of property, plant and equipment.

Verification of residual values and useful lives of property, plant and equipment is performed at least once a year and, if necessary, their values are adjusted.

Where the carrying amount of a given item of property, plant and equipment exceeds its estimated recoverable amount, the carrying amount is immediately reduced to its recoverable amount.

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

Construction in progress

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

Prepayments for construction in progress are presented under property, plant and equipment.

2.5 Investment property

Investments in property (investment property) are initially stated at acquisition cost or cost of production, after including transaction costs. After initial recognition, investment property, except for land and properties meeting the classification criteria of held for sale items, is depreciated in the manner reflecting the pattern of consumption of economic benefits from those assets (using the straight-line method) and adjusted for accumulated impairment losses.

The useful lives of the Group's investment property are as follows:

- right-of-use asset – perpetual usufruct right to land 71 years
- buildings and constructions 10 – 50 years

Prepayments for the purchase of investment property are presented within this reporting line.

2.6 Intangible assets

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

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

Intangible assets are amortized in the manner reflecting the pattern of consumption of economic benefits from those assets (using the straight-line or the natural method) over their estimated useful lives. The expected useful lives of the Group's intangible assets are as follows:

- software 2 – 10 years
- waste processing permit 14 – 22 years
- right to waste landfilling natural method.

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

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

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

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

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

2.8 Goodwill of subordinated entities

Goodwill is the excess of the aggregate of:

- the consideration transferred measured at acquisition-date fair value;
- contingent consideration, measured at acquisition-date fair value;
- the amount of any non-controlling interest in the acquiree measured either at its fair value or at its proportionate interest in the net identifiable assets;
- in a business combination achieved in stages, measured at acquisition-date fair value of the acquirer's interest previously held in the acquired entity;

over the fair value of net identifiable assets at the acquisition date, including exceptions provided in IFRS 3.

Goodwill represents a payment made by the acquirer in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognised.

Goodwill is recognised under assets and is not subject to amortisation, but is tested for impairment at least on an annual basis. Any impairment loss is recognised directly in the profit and loss account and is not subject to reversal in the subsequent reporting periods.

If the activities belonging to a cash generating unit to which the goodwill was allocated are to be disposed of, then the goodwill allocated to the activities disposed of is accounted for when determining gain or loss on sale.

Goodwill that originated prior to transitioning to IFRSs was recognised at the value determined using the earlier applied accounting policies and was tested for impairment at the date of transitioning to IFRSs. In addition, goodwill is tested annually for impairment and is recognised in the statement of financial position at cost less accumulated impairment losses. For impairment testing purposes, goodwill is allocated to cash generating units.

A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

2.9 Borrowing costs

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

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

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

In the Budimex Group, the qualifying assets are mainly inventories in development companies as well as property, plant and equipment, investment property and intangible assets.

2.10 Accounting for lease by lessee

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

At the commencement date of a lease, the Group companies recognise a right-of-use asset and, as a corresponding entry, a lease liability.

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

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

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

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

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

Presentation

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

- property, plant and equipment (contracts of rent/ hire/ lease of office space, plots of land used temporarily as construction sites, passenger and commercial vehicles and the right of perpetual usufruct of land used for the Company's own needs);
- investment property (right of perpetual usufruct of land);
- inventories (right of perpetual usufruct to land allocated to development projects).

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

Right to perpetual usufruct of land vs IFRS 16

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

The majority of the right of perpetual usufruct relates to the land acquired for development projects purposes. Since to date the value of acquired land that was the right of perpetual usufruct was presented under current assets' line item of „inventories", also the newly recognised right-of-use asset was presented in this line item. The costs are capitalized in the value of inventories for these projects, for which capitalization criteria have been fulfilled. As a corresponding entry, the Group's companies recognised a short-term lease liability.

As regards the right of perpetual usufruct used for the Group's companies own needs, it is recognized under tangible fixed assets, is subject to depreciation, and interest on the liability from lease of right of perpetual usufruct reduces finance costs of the Group. As a corresponding entry, Group companies recognise a long- or short-term lease liability, as appropriate.

The right of perpetual usufruct that relates to investment property is recognised under this reporting line item. In accordance with the Group's accounting policy, investment property is subject to depreciation, and interest on liability from lease of perpetual usufruct right is charged to finance costs. As a corresponding entry, the Group companies recognise a long- or short-term lease liability, as appropriate.

Perpetual usufruct right converted into ownership

In 2018 the *Act on the conversion of the perpetual usufruct right to land developed for housing purposes into the ownership (property) right to this land" ("Rights Conversion Act") (Ustawa o przekształceniu prawa użytkowania wieczystego gruntów zabudowanych na cele mieszkaniowe w prawo własności tych gruntów)* came into effect, which caused that the perpetual usufruct to land developed for housing purposes was converted into ownership. In the case of housing buildings under construction, the conversion of perpetual usufruct into ownership takes place when the building is given over for use. In accordance with the Rights Conversion Act, the perpetual usufruct fee was changed into conversion (transformation) fee *(opłata przekształceniowa)* which may be paid for the maximum of 99 years. Therefore, the plots of land with the housing buildings already given over for use *are no longer* within the scope of IFRS16 as they have become the property of Group companies. Thereby, the Group companies recognise a short-term liability (under the reporting line: „Trade and other payables") in the amount of the present value of 99 times the agreed transformation (conversion) fee. As a corresponding entry, the value of inventories (stocks of finished goods) was increased by the same amount.

The maximum period of payment of transformation (conversion) fee/ perpetual usufruct fee

In accordance with IFRS 16, the Group companies must recognise lease liabilities as the present value of lease payments for the entire period of lease-term. In the case of rights of perpetual usufruct, it may be the period of even 99 years. On the other hand, in the case of the ownership that originated from the transformation of perpetual usufruct it is the period of 99 years (as per selection of Group's companies). These periods *do not* depend on the company-estimated duration of development projects, which usually does not exceed 5 years. This is a much shorter time than that on the basis of which the lease liability was calculated. Moreover, from the moment of notarized flat sale, the owner of the flat becomes obliged to pay the perpetual usufruct fee/ conversion (transformation) fee, and the total assets (balance sheet total) shown in the Group companies' accounts suddenly decreases, which will result in considerable fluctuations between reporting periods.

2.11 Impairment of non-financial assets

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

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

Impairment losses are recognised in the profit and loss account.

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

2.12 Inventories

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

- Raw materials – represent items kept in warehouses or other places of storage that are to be used in production processes, especially to be consumed in construction activities,
- Work in progress – represents costs of uncompleted development projects, including land used during performance of those projects, as well as general purpose and low processed inventory items which are stored on construction sites and which may be used, in a simple way and without incurring significant costs, for the realisation of other constructions, or sold (if considered unnecessary for given contract performance),
- Goods for resale – inventory items purchased for re-sale purposes, and land on which the development project has not yet started,
- Finished goods – internally developed goods for which the process of development was completed as well as flats, service spaces/ premises and completed constructions ready for sale.

Excluded from inventories are the items stored on construction sites which are to be used specifically for a given construction project or processed either internally or externally by a subcontractor, and whose disposal or straightforward use for the performance of other constructions is not certain. Such items are recognised directly in contract costs.

Inventories are measured at the lower of cost or cost of production and net realisable value.

Net realisable value is the selling price estimated at the reporting date, net of VAT and excise taxes, less any rebates, discounts and other similar items, less the estimated costs to complete and costs to sell.

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

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

2.13 Cash and cash equivalents

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

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

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

- security for bank guarantees,
- funds gathered at open housing escrow accounts,
- funds gathered on split payment accounts,
- cash at escrow accounts and current accounts in the part due to the contractors realizing construction contracts together with a Group company.

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

2.14 Financial instruments

Classification and measurement

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

- cash and cash equivalents,
- equity instruments of another entity,
- contractual right:
  - to receive cash or other financial assets from another entity, or

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

A financial liability is any liability that is:

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

Financial assets and financial liabilities are recognised where a Budimex Group entity becomes a party to a binding contract.

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

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

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

In the periods following the initial recognition, financial assets are measured at:
- amortized cost,
- fair value through other comprehensive income (FVOCI),
- fair value through profit or loss(FVPL).

A financial asset is recognised at <u>amortized cost</u>, if:

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

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

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

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

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

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

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

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

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

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

The special sub-category of financial assets and financial liabilities held for trading are derivative financial instruments. Transactions involving derivative financial instruments are made by Group companies to hedge cash flows against FX and interest rate risks.

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

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

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

The Budimex Group companies do not apply hedge accounting.

As regards transactions on the money, equity or derivatives markets, the Group companies cooperate with prime banks, without causing significant credit risk concentration in the process.

<u>Impairment of financial assets</u>

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

Amount of expected credit loss allowance

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

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

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

2.15 Equity

Equity

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

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

Other reserves cover the costs of the share-based payment scheme operated by Ferrovial SA (note 2.17) as well as actuarial gains/(losses) on retirement benefits and similar obligations

Cumulative translation differences comprise the effect of translation of the financial statements of foreign operations of the Group (foreign companies and foreign branches) from foreign currencies to Polish zloty (PLN).

Equity attributable to non-controlling interests

Equity attributable to non-controlling interests is the part of equity of a subsidiary consolidated using the full method, which is attributable to the shareholders other than those of the entities belonging to the Group.

Net profit (loss) of a subsidiary in the part belonging to the shareholders other than the entities belonging to the Group represents gain/ (loss) of non-controlling interests.

2.16 Employee benefits

Group entities operate retirement benefits/ pension plan programs (and selected Group companies – programs of posthumous benefits) and to this end create provisions for the present value of their underlying liabilities. Payments under these programs are expensed to the profit or loss so as to ensure that the costs of those benefits are spread over employees' entire working lives at the companies. The amount of the provision is determined by an independent actuary using the projected unit credit method. Actuarial gains and losses on post-employment benefits are recognised in other comprehensive income and are not transferrable to profit or loss.

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

2.17 Share-based payments

Ferrovial SA, the ultimate parent company, operates own equity-settled, share-based compensation plan under which employees of the Group render services to the Parent Company and its subsidiaries in exchange for equity instruments of Ferrovial SA. In accordance with IFRS 2, the fair value of employee services provided in exchange for equity awards of Ferrovial SA in the years 2010-2013 is recognised in the consolidated financial statements as an expense with a corresponding increase in equity, over the period in which vesting conditions are fulfilled (vesting period). The fair value of employee services is indirectly measured by reference to the fair value of awarded equity instruments determined at the grant date. Vesting conditions, other than market conditions, are taken into account by adjusting the number of equity instruments included in the measurement of the entire transaction so that, ultimately, the cost of services received is based on the number of equity instruments that are expected to vest.

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

2.18 Provisions

The Budimex Group entities create provisions for future liabilities, the maturity or amount of which are not certain. Provisions are recognised when:

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

The Group entities create provisions for the costs of future warranty repairs because they are required to provide warranty for their construction services rendered. The amount of warranty provision is linked to particular construction segments and ranges from 0.3% to 1.5% of total revenue from a given contract. This value is assessed on an individual basis and in justified cases may be increased or decreased. The costs of future warranty repairs are recognised in the cost of goods sold.

2.19 Recognition of revenues and expenses

Sales revenue is recognised using the policies described in note 2.20, 2.21 and note 29.2 below.

Interest income is recorded on a cumulative basis with respect to the principal amount due, using the effective interest rate method.

Dividend income is recognised upon determining shareholder right to receive payment.

2.20 Revenue from contracts with customers

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

- the parties to the contract have approved the contract and are committed to perform their respective obligations,
- Group company can identify each party's rights regarding the goods or services to be transferred,
- Group company can identify the payment terms for the goods or services to be transferred,
- the contract has commercial substance, and

- it is probable that the Group company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

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

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

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

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

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

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

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

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

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

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

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

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

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

Revenue from sale of developer production (services) is recognised when the control, all significant risks and rewards of property ownership are transferred to the final customer. The Group deems that the transfer of risks, control and rewards takes place upon signing of a notarial deed transferring ownership right to the acquired property.

Development companies keep records that allow to determine the amount of costs relating to individual project components which may be sold separately. Upon recognition of sales revenue, the company recognises the cost of construction of a given area by reducing finished goods by the share of the premises sold in the total area of a given type of premises.

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

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

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

The Group companies analyse whether the concluded contracts contain the variable consideration element and, in the event of identifying significant values, estimate the total amount of the consideration to which they will be entitled.

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

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

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

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

2.21 Revenue and expenses of service concession arrangements

The Group companies are party to service concession arrangements which include construction, operation and maintenance of public utility buildings for a determined period of time in exchange for a consideration over the term of the arrangement. Such agreements are executed with public sector entities (grantors) who control or regulate the services the operators must provide with the infrastructure, to whom they must provide them and at what price. In service concession arrangements, grantors also control significant residual interest in the infrastructure at the end of the term of the arrangement. The financial impact of such arrangements is recognised by the Group under "Service concession arrangements" in accordance with IFRIC 12.

The operator recognises and measures revenues and costs of construction services provided, and the revenues and costs of management/maintenance services in accordance with IFRS 15.

Arrangement consideration may be recognised in the statement of financial position as a financial asset (option 1), as an intangible asset (option 2) or as a mixed model (option 3).

Option 1: The value of guaranteed consideration (unconditional contractual right to receive cash or other financial assets from or at the direction of the grantor for construction services) for the entire term of the arrangement in present values is higher than the fair value of revenues from construction services - in which case a financial asset with a value equating fair value of revenues from construction services is recognised.

Option 2: The operator does not receive guaranteed consideration, but the right (a licence) to charge users of the public service with a total value depending on the degree of the public use of such service – in this case, an intangible asset is recognised with a value equating fair value of revenues from construction services, with an expectation to cover the difference by proceeds from sale of services.

Option 3: The value of guaranteed consideration for the entire term of the concession arrangement in present values is lower than the fair value of revenues generated from construction service - in this case, a financial asset is recognised with a value not higher than the present value of guaranteed consideration, as well as an intangible asset with a value equating a difference between the fair value of revenues from construction services and recognised financial asset, with an expectation to cover the difference by proceeds from sale of services.

In order to define the nature/ type of such consideration as well as the value to be disclosed in the statement of financial position, a test is performed at the date of the arrangement to confirm to what extent the payments guaranteed under service concession arrangements may cover consideration for construction services expressed at fair value.

A discount rate reflecting operator's weighted average cost of capital (WACC) is applied to calculate the present value of guaranteed consideration.

In the financial year ended 31 December 2020, the Budimex Group companies were parties to four concession arrangements, for which the relevant tests disclosed that the value of guaranteed consideration for the entire term of the arrangements calculated in present values was higher than the fair value of receivables from the construction service provided. Thus, the receivables under the construction services were recognised using the option no. 1, i.e. as a financial asset.

The assets are recognised under “Receivables from service concession arrangements” in the statement of financial position and measured at amortised cost using the effective interest rate method, as in accordance with IFRS 9 assets are held in accordance with the business model whose objective is to collect contractual cash flows, and the contractual cash flows of the assets give rise to payments on specified dates that are solely payments of principal and interest on the principal amount outstanding. Assets increases resulting from the reflection of the time value of money are recognised under “Finance income” in the profit and loss account.

In addition, at the end of each settlement period, the assets are reduced by the amount of payments from guaranteed consideration allocated to each period proportionally to the share of construction service consideration in the entire amount of guaranteed consideration provided under service concession arrangement.

Such assets are tested for impairment at each reporting date.

Revenues generated from payments imposed on public utility service users, above the value of guaranteed consideration, are recognised as revenues from operation/maintenance at the time of service provision.

In the event the operator is contractually obligated to maintain or restore the infrastructure to a specified level of serviceability (modernisation excluded), such obligation is recognised as provision in accordance with IAS 37.

In accordance with IAS 23, borrowing costs related to service concession arrangement are recognised as an expense when incurred, unless the operator has the contractual right to obtain intangible assets. If this is the case, borrowing costs related to service concession arrangements are capitalised during infrastructure construction stage (as per the standard referred to above). In the concluded service concession arrangements, the Group recognised financial assets and therefore, the costs of financing were expensed to the profit or loss under “finance costs”.

2.22 Gross profit/ (loss) on sales

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

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

2.23 Operating profit/ (loss)

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

2.24 Income tax (incl. deferred tax)

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

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

Due to the temporary differences between the carrying amount of assets and liabilities recognised in the books of account and their tax bases and due to carry-forward of unused tax losses, Group companies recognise deferred tax liabilities and deferred tax assets in their financial statements.

Deferred tax liabilities are recognised in the amount of income tax to be paid in the future in respect of all taxable temporary differences i.e. differences that will cause an increase in the tax base (taxable amount) in the future.

Deferred tax assets are determined in the amount that is expected to be deducted from income tax in connection with deductible temporary differences, which in the future will cause a decrease in the tax base (taxable amount) and in the amount of carry-forward of unused tax losses.

Deferred tax assets and deferred tax liabilities are not recognised if temporary differences result from goodwill or initial recognition (except for mergers) of other assets and liabilities in a transaction that does not affect taxable or accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available in the future to allow all or part of the deferred tax asset to be utilised.

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

Current tax and deferred tax are included in the profit and loss account, except for the items recorded in other comprehensive income or directly in equity. In such situation, current tax and deferred tax are also included, as appropriate, in other comprehensive income or directly in equity. If current or deferred tax results from the initial settlement of a business combination transaction, tax effects are included in any further settlements of such transaction.

Deferred tax assets and deferred tax liabilities are netted off at a Group company level.

Recognition of uncertain tax position

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

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

Value added tax

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

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

The net amount of value added tax recoverable from, or payable to the tax authorities of each of the Group's companies is included as part of receivables or payables in the statement of financial position.

2.25 Operating segments reporting

The Budimex Group management and organisation is based on segments.

The Group operates in the area of three main operating segments:

- construction business,
- development activities and property management,
- service activities.

The division of business into individual segments has been made by the classification of individual entities, based on their main statutory business activities or the importance of their business to the given segment. Such division reflects the spread of main business risks and returns on the expenditure made.

The Group applies uniform accounting policies for all segments. Transactions between individual segments (inter-segment transactions) are made on an arm's length basis.

Participating interest (shares) in equity accounted entities has been classified to the appropriate segment, based on entity's type of business.

3. Financial risk management

The main financial instruments used by the Budimex Group are:

- loans and borrowings, and leases, the objective of which is to obtain financial resources to finance Group activities,
- trade receivables and trade liabilities as well as other receivables and other payables, and cash and short-term deposits that arise in the course of ongoing operations of the Group,
- short-term debt securities (bonds) issued by high-rated issuers acquired as an alternative to bank deposits,
- derivative financial instruments such as foreign currency forward contracts and currency options, the purpose of which is to manage currency risk arising from construction contracts in foreign currency, as well as interest rate swaps (IRSs) entered into in order to swap floating into fixed interest rates.

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

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

Currency risk

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

In accordance with the Group policy, foreign currency exposure is systematically measured for both individual construction contracts (by way of analysis of foreign currency inflows and outflows for the contracts concluded in foreign currency and by way of analysis of foreign currency outflows for the contracts concluded in domestic currency) and for all contracts in aggregate (global currency exposure). It is the Management Board's policy to hedge the net foreign currency exposure on realised contracts. As at 31 December 2020, the Group had approx. 88% of its foreign currency exposure hedged.

Foreign currency risk – sensitivity to changes

In order to analyse the sensitivity to fluctuations in exchange rates, on the basis of historical changes in values and the Group's knowledge of and experience in the financial markets, the „feasibly possible" fluctuations in exchange rates were assessed at -10% / +10% as at 31 December 2020 and as at 31 December 2019.

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

	Nominal value at the reporting date	Sensitivity to fluctuations as at 31 December 2020	
		Depreciation	Appreciation
		of Polish zloty against other currencies	
		+10%	-10%
Forward contracts			
– EUR	29 545	5 398	(5 398)
– CZK	19 962	346	(346)
Financial instruments denominated in foreign currencies – net currency exposure:			
– EUR	7 550	3 484	(3 484)
– USD	(48)	(18)	18
Gross effect on the result for the period and net assets		**9 210**	**(9 210)**
Deferred tax		(1 750)	1 750
Total		**7 460**	**(7 460)**

	Nominal value at the reporting date	Sensitivity to fluctuations as at 31 December 2019	
		Depreciation	Appreciation
		of Polish zloty against other currencies	
		+10%	-10%
Forward contracts			
– EUR	28 344	4 532	(4 532)
– CZK	42 722	713	(713)
Financial instruments denominated in foreign currencies – net currency exposure:			
– EUR	23 041	9 812	(9 812)
– USD	(47)	(18)	18
Gross effect on the result for the period and net assets		**15 039**	**(15 039)**
Deferred tax		(2 857)	2 857
Total		**12 182**	**(12 182)**

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

Interest rate risk

Interest rate risk occurs mainly due to the use by Group companies of bank loans, borrowings and lease contracts. The above financial instruments are based on variable interest rates and expose the Group to cash flows fluctuations.

The interest rate risk related to current debt balances was assessed as relatively low from the perspective of its impact on Group results. At present, interest rate risk management covers both ongoing monitoring of market situation and debt levels, and hedging against the risk of fluctuations of market interest rates by way of entering into interest rate swap (IRS) transactions (floating rates to fixed rates).

Interest rate risk – sensitivity to changes

In order to analyse the sensitivity to interest rates fluctuations, on the basis of historical changes in values and the Group's knowledge of and experience in the financial markets, the "reasonably possible" fluctuations in interest rates were assessed as at 31 December 2020 and 31 December 2019 at -0.25 p.p./ +0.25 p.p. for PLN, at -0.25 p.p./ +0.25 p.p. for EUR, at -0.25 p.p./ +0.25 p.p. for USD, and at -0.25 p.p./ +0.25 p.p. for CZK.

Presented below is the effect of interest rate fluctuations on the net result and on net assets as at 31 December 2020 and 31 December 2019:

	Value at the reporting date	**Sensitivity to fluctuations as at 31 December 2020**	
		+25 bp (PLN, EUR, CZK, USD)	**-25 bp (PLN, EUR, CZK, USD)**
Cash at bank (fair value)	2 384 294	5 961	(5 961)
Derivative financial instruments – interest rate swap			
– recognised in liabilities (fair value)	(4 419)	405	(413)
Bank loans and borrowings (principal)	(51 327)	(128)	128
Lease liabilities (present value)	(399 328)	(999)	999
Gross effect on the net result for the period and net assets		**5 239**	**(5 247)**
Deferred tax		(995)	997
Total		**4 244**	**(4 250)**

	Value at the reporting date	**Sensitivity to fluctuations as at 31 December 2019**	
		+25 bp (PLN, EUR, CZK, USD)	**-25 bp (PLN, EUR, CZK, USD)**
Cash at bank (fair value)	1 515 821	3 790	(3 790)
Derivative financial instruments – interest rate swap			
– recognised in liabilities (fair value)	(3 438)	429	(439)
Bank loans and borrowings (principal)	(81 486)	(204)	204
Lease liabilities (present value)	(368 834)	(922)	922
Gross effect on the net result for the period and net assets		**3 093**	**(3 103)**
Deferred tax		(588)	590
Total		**2 505**	**(2 513)**

In the assessment of sensitivity to interest rates fluctuations, cash on hand was disregarded.
Valuation of forward contracts does not show sensitivity to parallel fluctuations in interest rates with the exchange rates remaining unchanged.

Price risk

The Group is exposed to the price risk relating to increases in prices of the most popular construction materials such as steel products, being among others, reinforcing bars, rails and other steel goods, aggregates, concrete or crude oil derivatives such as petrol, diesel oil, asphalts or fuel oil. The price risk regarding materials purchased on the domestic market is estimated as moderate, while the price risk related to crude oil derivatives and steel goods is assessed as high. The forecast for 2021 for the construction industry entails greater risk due to the COVID-19 pandemic. As a result of changes in the prices of raw materials and labour costs, the prices of subcontractor services provided to the Group may change. The prices set forth in investor contracts remain fixed over the entire period of contract execution i.e. most often for the period of 6 – 36 months, while subcontractor contracts are made at a later date, as the work on individual contract progresses. The highest risk of raw material price volatility (increases) exists in the case of public procurements due to the relatively long process of general contractor selection. This applies to the period from bid placing (offer submission) to general contractor selection and contract signing, when concluding contracts with suppliers and securing material prices is not always possible.

In order to limit the incurred price risk, the Budimex Group conducts ongoing monitoring of the prices of the most popular construction materials, and the construction contracts signed specify the parameters relating, among others, to contract duration and value, that adequately match market situation. The Procurement Department operating in the Budimex Group negotiates framework agreements with the suppliers of basic construction materials, based on the construction works planned.

Credit risk

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

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

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

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

No significant credit risk concentration has been identified at the Group, while taking into account the fact that its main customer is a government agency *(urząd administracji rządowej)*.

The Group is not exposed to significant credit risk to one business partner or a group of business partners with similar features. Credit risk relating to liquid assets and derivative financial instruments is limited as the Group's business partners are banks with high credit ratings awarded by reputable international rating agencies.

Except for the data presented in note 0, the value of financial assets recognised in the statement of financial position, before losses, reflects the maximum credit risk exposure of the Group, without taking into account the value of received collaterals and securities.

Liquidity risk

In order to limit the risk of loss of liquidity, Group companies hold appropriate amounts of cash and marketable securities, and conclude credit facilities contracts which serve as an additional security against loss of liquidity. To finance its investment purchases, the Group uses own funds or long-term lease contracts that ensure appropriate stability of financing structure for this type of assets.

Liquidity management is supported by the system of reporting liquidity forecasts in force in the companies of the Group.

The maturity structure of liabilities under loans, borrowings and other external sources of finance is presented in note 21. The maturity structure of other financial liabilities is presented in the respective notes.

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

4. Capital management

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

The Group manages its capital structure and modifies it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may return equity to the shareholders, issue new shares or pay out dividend. In 2020 and 2019, no changes were made to the objectives and policies binding in this area.

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

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

	31 December 2020	31 December 2019
Interest-bearing loans and borrowings and other external sources of finance	450 730	450 366
Trade and other payables	4 583 241	4 347 508
Less: Cash and cash equivalents	(2 384 398)	(1 515 977)
Less: Short-term securities	-	(119 721)
Net debt	2 649 573	3 162 176
Equity	1 187 271	836 640
Equity and net debt	3 836 844	3 998 816
Gearing ratio	**69.06%**	**79.08%**

5. Key estimates and assumptions

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

5.1 Key accounting estimates

The Group makes estimates and assumptions regarding the future which are reflected in these consolidated financial statements. The actual results may differ from these estimates. The Group's estimates relate, among others, to established provisions, valuation of construction contracts, impairment write-downs of assets, accruals and deferred income or adopted depreciation/ amortisation rates. Material assumptions, not described in this point, and adopted in the estimate of above values have been described in note 2 "Key accounting policies".

Provisions for warranty repairs

The Budimex Group companies are required to issue warranties for their construction services rendered. The amount of warranty provision is linked to particular construction segments and ranges from 0.3% to 1.5% of total revenue from a given contract. This ratio is, however, analysed on an individual basis and in justified cases may be increased or reduced, as appropriate. The amount of warranty provision has been presented in note 25.

Companies not engaged in construction business at the reporting date assess their risk of warranty for their products or services based on historical data and current estimates.

Un-invoiced services

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

Tax settlements

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

Provision for litigation, penalties and sanctions

The management boards of Group companies carry out detailed analyses of the risks arising from pending legal cases and the reported claims filed against the Group and, based on these, take decisions on the possible recognition and amount of provisions.

5.2 Professional judgment in applying accounting policies

Recognition of construction contracts revenue and losses

In accordance with the description presented in note 2.20, the preferred method of measurement of goods and services transferred to the customers over time is the survey of work performed method or the work progress measurement method *(metoda obmiaru wykonanych prac),* which is the results-based method. This method requires making physical measurements of construction works and allocation of unit selling prices and unit costs to individual goods developed under construction contracts.

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

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

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

6. Discontinued operations

In 2020 and 2019, there was no discontinued operation within the meaning of IFRS 5. Reclassification of assets and liabilities of Budimex Nieruchomości Sp. z o.o. to, respectively, assets/ liabilities of discontinued operations, which took place after the reporting date, was described in note 43.

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

7. The Budimex Group Entities

Presented below is the list of **subsidiaries** of the Budimex Group:

Entity name	Registered office	Share in the issued capital and in the number of votes (%)		Consolidation method	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
Parent company					
Budimex SA	Warsaw/ Poland			full	full
Consolidated					
Mostostal Kraków SA	Cracow/ Poland	100.00%	100.00%	full	full
Mostostal Kraków Energetyka Sp. z o.o.	Cracow/ Poland	100.00%	100.00%	full	full
Budimex Bau GmbH	Koln / Germany	100.00%	100.00%	full	full
Budimex Nieruchomości Sp. z o.o.	Warsaw/ Poland	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
Budimex Parking Wrocław Sp. z o.o.	Warsaw/ Poland	51.00%	51.00%	full	full
FBSerwis SA	Warsaw/ Poland	100.00%	100.00%	full	full
FBSerwis A Sp. z o.o.	Warsaw/ Poland	100.00%	100.00%	full	full
FBSerwis B Sp. z o.o.	Warsaw/ Poland	100.00%	100.00%	full	full
FBSerwis Karpatia Sp. z o.o.	Tarnów / Poland	100.00%	100.00%	full	full
FBSerwis Wrocław Sp. z o.o.	Bielany Wrocławskie/ Poland	100.00%	100.00%	full	full
FBSerwis Dolny Śląsk Sp. z o.o.	Ścinawka Dolna/ Poland	100.00%	100.00%	full	full
FBSerwis Kamieńsk Sp. z o.o.	Kamieńsk/ Poland	80.00%	80.00%	full	full
FBSerwis Odbiór Sp. z o.o. [1]	Warsaw/ Poland	100.00%	-	full	-
SPV-PIM1 Sp. z o.o. [2]	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 (in liquidation) [3]	Warsaw/ Poland	100.00%	100.00%	non-consolidated	non-consolidated
Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. w upadłości likwidacyjnej [in liquidation bankrupcy]	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. [4]	Warsaw/ Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex PPP SA	Warsaw/ Poland	100.00%	100.00%	non-consolidated	non-consolidated

[1]) FBSerwis Odbiór Sp. z o.o. was registered in the National Court Register on 25 June 2020, and was included in the consolidation from 1 October 2020.

[2]) on 26 May 2020 merged with Budimex Nieruchomości Sp. z o.o.

[3]) on 31 July 2018, the General Shareholders' Meeting of Budimex Autostrada A1 SA resolved to terminate company liquidation. As at 31 December 2020, the company was not yet removed from the National Court Register.

[4]) on 23 September 2020, the Extraordinary General Meeting of Budimex L Sp. z o.o adopted a resolution to amend the company's memorandum of association, including changing the name from Budimex L Sp. z o.o. to ConVentures Sp. z o.o. Pursuant to the resolution, the sole activity of the company is management of investment funds.

MK Logistic Sp. z o.o. w likwidacji [in liquidation] and Dromex Oil Sp. z o.o. w likwidacji [in liquidation] were not re-registered from the Commercial Register B to the National Court Register, as a result of which the two companies lost legal capacity and were automatically (by law) liquidated. PKZ Budimex GmbH was deleted from the German commercial register and was also liquidated.

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

The list of **jointly controlled entities** of Budimex Group is as follows:

Entity name	Registered office	Share in the issued capital and in the number of votes (%)		Consolidation method	
		31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Wspólne działania					
Budimex SA Cadagua SA III s.c.	Warsaw/ Poland	99.90%	99.90%	share in assets, liabilities, revenues and costs	share in assets, liabilities, revenues and costs
Budimex SA Cadagua SA IV s.c.	Warsaw/ Poland	99.90%	99.90%		
Budimex SA Cadagua SA V s.c.	Warsaw/ Poland	99.90%	99.90%		
Budimex SA Ferrovial Agroman SA 2 s.c.	Warsaw/ Poland	95.00%	95.00%		
Budimex SA Sygnity SA sp. j.	Warsaw/ Poland	67.00%	67.00%		
Budimex SA Tecnicas Reunidas SA Turów s.c.	Warsaw/ Poland	50.00%	50.00%		
Budimex SA Ferrovial Construccion SA sp.j. [1]	Warsaw/ Poland	50.00%	50.00%		
Budimex SA Energetyka 3 sp.j. [2]	Warsaw/ Poland	-	100.00%		
Budimex SA Ferrovial Agroman SA s.c. [3]	Warsaw/ Poland	-	99.98%		
Budimex SA – Cadagua SA II s.c. [4]	Warsaw/ Poland	-	99.90%		

[1]) on 22 July 2020, by way of a resolution of shareholders, the company changed its name to Budimex SA Ferrovial Construccion SA sp.j.
[2]) on 30 June 2020, the shareholders of Budimex SA Energetyka 3 sp. j. adopted a resolution to liquidate the company without conducting liquidation proceedings.
[3]) on 31 August 2020, the partners of Budimex SA Ferrovial Agroman SA s.c. adopted a resolution on the dissolution of the company because of the achievement of economic objectives for which the company was established
[4]) on 15 June 2020, the partners of Budimex SA Cadagua SA II s.c. agreed on the dissolution of the company on 30 June 2020 due to the achievement of economic objectives for which the company was established

The above entities are under common control (also these, in which the Group companies hold a total of more than 50% shares), as unanimity of all partners is required in the matters concerning their business.

The main area of business activities of the entities jointly controlled by the Budimex Group is the construction business.

Apart from the changes listed above, the composition of the Group did not change.

In the period covered by these consolidated financial statements, no other significant activity was discontinued. The plan for the disposal of Budimex Nieruchomości Sp. z o.o. was described in note 43.

8. Operating segments

Operating segments

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

- construction business
- development activities and property management
- service activities.

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

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

Development business and property management services segment comprises preparation of land for investment, execution of investment projects in the field of residential building, sale of apartments and rental and management of property on own account. Included in this operating segment are the following Group companies:

- Budimex Nieruchomości Sp. z o.o.
- SPV-PIM1 Sp. z o.o. (on 26 May 2020 merged with Budimex Nieruchomości Sp. z o.o.)

- Budimex SA in the part relating to the development business, as a result of the merger with Budimex Inwestycje Sp. z o.o. on 13 August 2009 (only in 2019; in 2020 it was already merged into construction business).

The segment of service activities comprises comprehensive services in the field of with municipal waste management, comprehensive road maintenance, lighting infrastructure extension and management, and technical operation (maintenance) of buildings. As part of the service activities segment recognised were also other Group entities, which conduct, among others, activities contracted in the form of public-private partnership (cPPP). Classified to this segment were the following entities:

- Budimex Parking Wrocław Sp. z o.o.
- FBSerwis SA (consolidated using the full method as of 3 July 2019)
- FBSerwis A Sp. z o.o. (consolidated using the full method as of 3 July 2019)
- FBSerwis B Sp. z o.o. (consolidated using the full method as of 3 July 2019)
- FBSerwis Dolny Śląsk Sp. z o.o. (consolidated using the full method as of 3 July 2019)
- FBSerwis Wrocław Sp. z o.o. (consolidated using the full method as of 3 July 2019)
- FBSerwis Karpatia Sp. z o.o. (consolidated using the full method as of 3 July 2019)
- FBSerwis Kamieńsk Sp. z o.o. (consolidated using the full method as of 3 July 2019)
- FBSerwis Odbiór Sp. z o.o. (consolidated using the full method as of 1 October 2020).

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

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

Segment results for the **year ended 31 December 2020** are presented in the table below:

	Construction business	Development business and property management	Service activities	Consolidation exclusions	Consolidated value
Revenue from external sales	7 101 015	673 134	608 091	-	**8 382 240**
Inter-segment sales	438 389	430	4 300	(443 119)	**-**
Total sales revenue	**7 539 404**	**673 564**	**612 391**	**(443 119)**	**8 382 240**
Cost of finished goods, goods for resale and raw materials sold externally	(6 541 556)	(404 836)	(498 815)	-	**(7 445 207)**
Cost of finished goods, goods for resale and raw materials sold to other segments	(368 467)	(33 632)	(3 523)	405 622	**-**
Total cost of finished goods, goods for resale and raw materials sold	**(6 910 023)**	**(438 468)**	**(502 338)**	**405 622**	**(7 445 207)**
Gross profit on sales	**629 381**	**235 096**	**110 053**	**(37 497)**	**937 033**
Selling expenses	(11 219)	(20 054)	-	-	**(31 273)**
Administrative expenses	(232 885)	(29 772)	(33 075)	18 766	**(276 966)**
Other operating income/ (expenses), net	2 258	5 869	1 651	-	**9 778**
Operating profit	**387 535**	**191 139**	**78 629**	**(18 731)**	**638 572**
Finance income / (finance costs), net, of which:	(15 128)	3 842	(5 743)	352	**(16 677)**
- interest income	*25 710*	*1 994*	*115*	*(76)*	***27 743***
- interest expense	*(6 248)*	*(1 035)*	*(6 045)*	*76*	***(13 252)***
Shares in profits of equity accounted entities	-	-	145	-	**145**
Income tax	(102 245)	(37 283)	(14 607)	3 489	**(150 646)**
Net profit	**270 162**	**157 698**	**58 424**	**(14 890)**	**471 394**

In 2020, net sales revenue from one customer amounted to PLN 2 140 405 thousand and related entirely to the construction segment.

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

Segment results for the **year ended 31 December 2019** are presented in the table below:

	Construction business	Development business and property management	Service activities	Consolidation exclusions	Consolidated value
Revenue from external sales	6 733 292	557 371	277 311	1 689	**7 569 663**
Inter-segment sales	418 686	440	970	(420 096)	**-**
Total sales revenue	**7 151 978**	**557 811**	**278 281**	**(418 407)**	**7 569 663**
Cost of finished goods, goods for resale and raw materials sold externally	(6 359 363)	(420 508)	(238 240)	-	**(7 018 111)**
Cost of finished goods, goods for resale and raw materials sold to other segments	(374 426)	(188)	(738)	375 352	**-**
Total cost of finished goods, goods for resale and raw materials sold	**(6 733 789)**	**(420 696)**	**(238 978)**	**375 352**	**(7 018 111)**
Gross profit on sales	**418 189**	**137 115**	**39 303**	**(43 055)**	**551 552**
Selling expenses	(10 721)	(19 757)	-	-	**(30 478)**
Administrative expenses	(173 135)	(26 183)	(14 157)	14 483	**(198 992)**
Other operating income/ (expenses), net	(27 339)	25 610	(1 959)	-	**(3 688)**
Operating profit	**206 994**	**116 785**	**23 187**	**(28 572)**	**318 394**
Finance income / (finance costs), net, of which:	(18 533)	3 361	24 103	247	**9 178**
- interest income	*20 356*	*1 847*	*163*	*(3 844)*	***18 522***
- interest expense	*(9 762)*	*(1 651)*	*(6 397)*	*3 711*	***(14 099)***
Shares in gains of equity accounted entities	-	-	4 785	-	**4 785**
Income tax	(81 667)	(23 090)	(4 129)	5 380	**(103 506)**
Net profit	**106 794**	**97 056**	**47 946**	**(22 945)**	**228 851**

In 2019, net sales revenue from one customer amounted to PLN 1 221 047 thousand and related entirely to the construction segment.

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

Other segment-related items recognised in the profit and loss account **for the year ended 31 December 2020** are as follows:

	Construction business	Property management and development business	Service activities	Consolidated value
Depreciation/ amortization (note 30)	(89 296)	(3 393)	(44 835)	**(137 524)**
(Recognition)/ reversal of impairment write-downs against receivables (note 16)	(11 899)	(127)	(719)	**(12 745)**
(Recognition)/ reversal of impairment write-downs against inventories (note 17)	(3 314)	2 796	-	**(518)**
Other non-monetary income/ (costs)*	(229 123)	29 120	-	**(200 003)**
Result on sale of non-financial long-term assets and investments**	3 003	(69)	295	**3 229**
Capital expenditure	144 717	2 897	46 011	**193 625**

Other segment-related items recognised in the profit and loss account **for the year ended 31 December 2019** are as follows:

	Construction business	Property management and development business	Service activities	Consolidated value
Depreciation/ amortization (note 30)	(81 021)	(3 080)	(21 578)	**(105 679)**
(Recognition)/ reversal of impairment write-downs against receivables (note 16)	(3 473)	53	(739)	**(4 159)**
(Recognition)/ reversal of impairment write-downs against inventories (note 17)	(494)	(1 055)	-	**(1 549)**
(Recognition)/ reversal of impairment write-downs against non-financial long-term assets (note 9)	187	-	-	**187**
Other non-monetary income/ (costs)*	(152 622)	(9 681)	264	**(162 039)**
Result on sale of non-financial long-term assets and investments**	627	23 085	(150)	**23 562**
Capital expenditure	106 404	17 876	34 054	**158 334**

*) Other non-monetary income / (costs) cover reversal / (creation) of provisions for contract losses and warranty repairs.
**) Result on the sale of non-financial long-term assets and investments covers sale of property, plant and equipment, investment property and investments.

Capital expenditure covers increases in property, plant and equipment, investment property and intangible assets.

Geographical information

The Budimex Group conducts business in Poland and abroad. Other markets include other EU countries.

Geographical information on sales revenue was presented in note 29.

Non-current assets

	31 December 2020	31 December 2019
Domestic market	916 801	880 335
German market	932	1 074
Other markets	43	-
Total	**917 776**	**881 409**

Capital expenditure

	2020	2019
Domestic market	193 491	157 691
German market	126	621
Other markets	8	22
Total	**193 625**	**158 334**

Non-current assets comprise property, plant and equipment, investment property, intangible assets, goodwill of subordinates, as well as long-term prepayments and accruals.

The breakdown of the total amount of non-current assets and capital expenditure corresponds to the location of the branches and foreign operations included in the Budimex Group.

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

9. Property, plant and equipment

	Land & perpetual usufruct to land		**Buildings & constructions**		**Plant & machinery**		**Means of transport**		**Other [tangible] fixed assets**		**Construction in progress**	**Prepaym. for construct.**	**Total**
	freehold	**leased***	**own**	**leased***	**own**	**leased***	**own**	**leased***	**own**	**leased***			
Gross value as at 1 January 2020	**19 575**	**11 991**	**102 409**	**58 142**	**187 371**	**228 888**	**37 519**	**115 442**	**55 970**	**2 828**	**9 270**	**3 687**	**833 092**
Increases:	**756**	**4 064**	**7 127**	**14 843**	**38 672**	**39 696**	**5 120**	**53 816**	**10 983**	**4 664**	**9 157**	**(3 538)**	**185 360**
– purchase	756	-	5 981	-	37 226	-	4 830	-	10 561	-	-	-	**59 354**
– acceptance for use under lease contracts	-	4 064	-	14 843	-	39 696	-	53 590	-	4 664	-	-	**116 857**
– transfer from construction in progress	-	-	1 146	-	250	-	289	-	-	-	(1 685)	-	**-**
– increase in construction in progress	-	-	-	-	-	-	-	-	-	-	3 945	-	**3 945**
– prepayments settlement	-	-	-	-	-	-	-	-	-	-	6 884	(6 884)	**-**
– prepayments made	-	-	-	-	-	-	-	-	-	-	-	3 346	**3 346**
– foreign exchange differences	-	-	-	-	13	-	-	-	107	-	-	-	**120**
– other increases	-	-	-	-	1 183	-	1	226	315	-	13	-	**1 738**
Decreases:	**(136)**	**(3 551)**	**(916)**	**(4 312)**	**(18 216)**	**(26 054)**	**(7 903)**	**(7 848)**	**(1 449)**	**(262)**	**(4)**	**-**	**(70 651)**
– liquidation, scrapping	-	(3 551)	(898)	(4 312)	(2 061)	(923)	(12)	(7 768)	(911)	(262)	(4)	-	**(20 702)**
– sale	-	-	-	-	(16 337)	-	(7 891)	-	(538)	-	-	-	**(24 766)**
– post-lease purchase	-	-	-	-	-	(24 112)	-	(80)	-	-	-	-	**(24 192)**
– other decreases	(136)	-	(18)	-	182	(1 019)	-	-	-	-	-	-	**(991)**
Gross value as at 31 December 2020	**20 195**	**12 504**	**108 620**	**68 673**	**207 827**	**242 530**	**34 736**	**161 410**	**65 504**	**7 230**	**18 423**	**149**	**947 801**

**right-of-use assets*

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

	Land & perpetual usufruct to land		Buildings & constructions		Plant & machinery		Means of transport		Other [tangible] fixed assets		Construction in progress	Prepaym. for construct.	Total
	freehold	**leased***	**own**	**leased***	**own**	**leased***	**own**	**leased***	**own**	**leased***			
Accumulated depreciation as at 1 January 2020	**(464)**	**(2 324)**	**(13 765)**	**(9 111)**	**(143 867)**	**(73 182)**	**(18 106)**	**(24 344)**	**(32 403)**	**(928)**	**-**	**-**	**(318 494)**
Movements in the period:	**(420)**	**(120)**	**(9 008)**	**(10 579)**	**(16 550)**	**(10 480)**	**2 734**	**(26 014)**	**(7 370)**	**(1 011)**	**-**	**-**	**(78 818)**
– charge for the period (note 30)	(562)	(2 963)	(9 542)	(15 086)	(15 267)	(30 122)	(6 769)	(30 683)	(8 105)	(1 272)	-	-	**(120 371)**
– liquidation, scrapping	-	2 807	632	4 291	2 020	913	7	7 768	726	262	-	-	**19 426**
– sale	-	-	-	-	15 623	-	6 623	-	408	-	-	-	**22 654**
– post-lease purchase	-	-	-	-	(19 190)	19 190	(64)	64	-	-	-	-	**-**
– foreign exchange differences	-	-	-	-	(9)	-	-	-	(84)	-	-	-	**(93)**
– other	142	36	(98)	216	273	(461)	2 937	(3 163)	(315)	(1)	-	-	**(434)**
Accumulated depreciation as at 31 December 2020	**(884)**	**(2 444)**	**(22 773)**	**(19 690)**	**(160 417)**	**(83 662)**	**(15 372)**	**(50 358)**	**(39 773)**	**(1 939)**	**-**	**-**	**(397 312)**
Impairment write-downs as at 1 January 2020	**(1 677)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1 677)**
– (increases)/ decreases (note 32)	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Impairment write-downs as at 31 December 2020	**(1 677)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1 677)**
Net value as at 1 January 2020	**17 434**	**9 667**	**88 644**	**49 031**	**43 504**	**155 706**	**19 413**	**91 098**	**23 567**	**1 900**	**9 270**	**3 687**	**512 921**
Net value as at 31 December 2020	**17 634**	**10 060**	**85 847**	**48 983**	**47 410**	**158 868**	**19 364**	**111 052**	**25 731**	**5 291**	**18 423**	**149**	**548 812**

**right-of-use assets*

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

	Land & perpetual usufruct to land		Buildings & constructions		Plant & machinery		Means of transport		Other [tangible] fixed assets		Construction in progress	Prepaym. for construct.	Total
	freehold	leased*	own	leased*	own	leased*	own	leased*	own	leased*			
Gross value as at 1 January 2019	**3 181**	**-**	**20 972**	**-**	**161 782**	**219 142**	**21 428**	**40 141**	**43 868**	**886**	**1 016**	**-**	**512 416**
Increases:	**16 423**	**12 432**	**87 065**	**58 311**	**40 913**	**15 176**	**20 572**	**77 734**	**17 476**	**2 016**	**8 453**	**3 687**	**360 258**
– change in Group composition	16 268	-	79 969	-	25 736	3 715	17 188	23 250	10 236	-	2 818	119	**179 299**
– first-time application of IFRS 16	-	7 792	-	7 160	-	222	-	22 178	-	67	-	-	**37 419**
– purchase	-	-	7 054	-	15 033	-	3 384	-	7 123	-	-	-	**32 594**
–acceptance for use under lease contracts	-	4 640	-	51 151	-	11 239	-	32 306	-	1 949	-	-	**101 285**
– transfer from construction in progress	-	-	25	-	141	-	-	-	111	-	(277)	-	**-**
– increase in construction in progress	-	-	-	-	-	-	-	-	-	-	5 912	-	**5 912**
– prepayments made	-	-	-	-	-	-	-	-	-	-	-	3 568	**3 568**
– transfer from investment property (note 10)	155	-	16	-	-	-	-	-	-	-	-	-	**171**
– other increases	-	-	1	-	3	-	-	-	6	-	-	-	**10**
Decreases:	**(29)**	**(441)**	**(5 628)**	**(169)**	**(15 324)**	**(5 430)**	**(4 481)**	**(2 433)**	**(5 374)**	**(74)**	**(199)**	-	**(39 582)**
– liquidation, scrapping	-	(441)	(4 358)	(169)	(5 526)	(1 361)	(397)	(381)	(4 284)	(74)	(199)	-	**(17 190)**
– sale	(29)	-	(1 270)	-	(9 763)	-	(4 084)	(95)	(1 076)	-	-	-	**(16 317)**
– post-lease purchase	-	-	-	-	-	(4 067)	-	(1 957)	-	-	-	-	**(6 024)**
– foreign exchange differences	-	-	-	-	-	-	-	-	(14)	-	-	-	**(14)**
– other decreases	-	-	-	-	(35)	(2)	-	-	-	-	-	-	**(37)**
Gross value as at 31 December 2019	**19 575**	**11 991**	**102 409**	**58 142**	**187 371**	**228 888**	**37 519**	**115 442**	**55 970**	**2 828**	**9 270**	**3 687**	**833 092**

**right-of-use assets*

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

	Land & perpetual usufruct to land		Buildings & constructions		Plant & machinery		Means of transport		Other [tangible] fixed assets		Construction in progress	Prepaym. for construct.	Total
	freehold	leased*	own	leased*	own	leased*	own	leased*	own	leased*			
Accumulated depreciation as at 1 January 2019	**(163)**	**-**	**(12 648)**	**-**	**(142 006)**	**(46 814)**	**(15 789)**	**(5 250)**	**(29 485)**	**(274)**	**-**	**-**	**(252 429)**
Movements in the period:	**(301)**	**(2 324)**	**(1 117)**	**(9 111)**	**(1 861)**	**(26 368)**	**(2 317)**	**(19 094)**	**(2 918)**	**(654)**	**-**	**-**	**(66 065)**
– charge for the period (note 30)	(314)	(2 467)	(5 896)	(9 200)	(12 879)	(29 992)	(4 152)	(21 019)	(7 569)	(728)	-	-	**(94 216)**
– liquidation, scrapping	-	143	4 214	89	5 074	803	273	291	3 977	74	-	-	**14 938**
– sale	13	-	578	-	8 767	-	3 101	95	667	-	-	-	**13 221**
– transfer from investment property (note 10)	-	-	(8)	-	-	-	-	-	-	-	-	-	**(8)**
– post-lease purchase	-	-	-	-	(2 824)	2 824	(1 539)	1 539	-	-	-	-	**-**
– foreign exchange differences	-	-	-	-	1	-	-	-	10	-	-	-	**11**
– other	-	-	(5)	-	-	(3)	-	-	(3)	-	-	-	**(11)**
Accumulated depreciation as at 31 December 2019	**(464)**	**(2 324)**	**(13 765)**	**(9 111)**	**(143 867)**	**(73 182)**	**(18 106)**	**(24 344)**	**(32 403)**	**(928)**	**-**	**-**	**(318 494)**
Impairment write-downs as at 1 January 2019	**(1 677)**	**-**	**-**	**-**	**(187)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1 864)**
– (increases)/ decreases (note 32)	-	-	-	-	187	-	-	-	-	-	-	**-**	**187**
Impairment write-downs as at 31 December 2019	**(1 677)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1 677)**
Net value as at 1 January 2019	**1 341**	**-**	**8 324**	**-**	**19 589**	**172 328**	**5 639**	**34 891**	**14 383**	**612**	**1 016**	**-**	**258 123**
Net value as at 31 December 2019	**17 434**	**9 667**	**88 644**	**49 031**	**43 504**	**155 706**	**19 413**	**91 098**	**23 567**	**1 900**	**9 270**	**3 687**	**512 921**

**right-of-use assets*

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

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

	2020	2019
Cost of finished goods and services sold	112 140	89 576
Administrative expenses	7 363	3 586
Selling expenses	868	1 054
Total (note 30)	**120 371**	**94 216**

The value of collaterals/ securities established on property, plant and equipment has been described in note 0.

In the years 2019-2020, the Group did not receive any compensations in respect of those fixed assets that had been impaired or were lost.

10. Investment property

	31 December 2020	31 December 2019
Perpetual usufruct right to freehold land	4 707	4 776
Perpetual usufruct right to leased land	2 299	-
Own buildings and constructions	2 870	2 945
Total investment property	**9 876**	**7 721**
Fair value of investment property	*10 276*	*7 721*

Movements in the balance of investment property during 2020 and 2019 were as follows:

	2020	2019
Opening balance		
Gross value	7 771	30 520
Depreciation (incl. accumulated impairment losses)	(50)	(2 155)
Net value - opening balance	**7 721**	**28 365**
Movements for the period:	**2 155**	**(20 644)**
First-time application of IFRS 16	-	10 199
Disposal	-	(37 602)
Purchase	-	7 769
Transfer to property, plant and equipment (note 9)	-	(163)
Transfer from inventories	2 349	-
Depreciation (note 30)	(194)	(886)
Other	-	39
Closing balance		
Gross value	10 120	7 771
Depreciation (incl. accumulated impairment losses)	(244)	(50)
Net value	**9 876**	**7 721**

As at 31 December 2020 and 31 December 2019, no collaterals/ securities were established on investment property.

Depreciation of investment property for the years 2020 and 2019 was recognised in the profit and loss account under cost of finished goods and services sold.

As at 31 December 2020, the Group owned only one investment property located in Poznań. At the reporting date, a valuation was performed by an independent appraiser, based on which no impairment was identified of this investment property .

The Group companies recognised in their profit and loss accounts the following balances of investment-property related income and expense:

	2020	2019
Rental income	41	4 262
Direct operating expenses (incl. repair and maintenance costs) relating to investment property that generated rental income	579	3 581
Direct operating expenses (incl. repair and maintenance costs) relating to investment property that *did not* generate rental income	-	-

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

11. Intangible assets

	Computer software	Licenses & patents acquired	Right to waste landfilling	Waste processing permit	Other	Intangible assets under construction	Total
Gross value as at 1 January 2020	**66 203**	**679**	**53 825**	**86 306**	**36**	**3 036**	**210 085**
Increases:	**2 885**	**-**	**-**	**-**	**-**	**7 994**	**10 879**
– purchase	1 989	-	-	-	-	-	**1 989**
– prepayments made	-	-	-	-	-	8 134	**8 134**
– settlement of prepayments	140	-	-	-	-	(140)	**-**
– foreign exchange differences	77	-	-	-	-	-	**77**
– reclassification	679	-	-	-	-	-	**679**
Decreases:	**(103)**	**(679)**	**-**	**-**	**-**	-	**(782)**
– liquidation	(103)	-	-	-	-	-	**(103)**
– reclassification	-	(679)	-	-	-	-	**(679)**
Gross value as at 31 December 2020	**68 985**	**-**	**53 825**	**86 306**	**36**	**11 030**	**220 182**
Accumulated amortization as at 1 January 2020	**(35 124)**	**(610)**	**(2 994)**	**(2 505)**	**(30)**	**-**	**(41 263)**
Movements for the period:	**(6 721)**	**610**	**(5 764)**	**(5 010)**	**(4)**	**-**	**(16 889)**
– charge for the period (note 30)	(6 179)	-	(5 764)	(5 010)	(6)	-	**(16 959)**
– liquidation	94	-	-	-	-	-	**94**
– foreign exchange differences	(26)	-	-	-	-	-	**(26)**
– reclassification/ other	(610)	610	-	-	2	-	**2**
Accumulated amortization as at 31 December 2020	**(41 845)**	**-**	**(8 758)**	**(7 515)**	**(34)**	**-**	**(58 152)**
Net value as at 1 January 2020	**31 079**	**69**	**50 831**	**83 801**	**6**	**3 036**	**168 822**
Net value as at 31 December 2020	**27 140**	**-**	**45 067**	**78 791**	**2**	**11 030**	**162 030**

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

	Computer software	Licenses & patents acquired	Right to waste landfilling	Waste processing permit	Other	Intangible assets under construction	Total
Gross value as at 1 January 2019	**58 678**	**678**	**-**	**-**	**36**	**-**	**59 392**
Increases:	**7 859**	**1**	**53 825**	**86 306**	**-**	**3 036**	**151 027**
– change in Group composition	935	-	53 825	86 306	-	-	**141 066**
– purchase	5 188	1	-	-	-	-	**5 189**
– prepayments made	-	-	-	-	-	2 017	**2 017**
– settlement of prepayments	1 736	-	-	-	-	(1 736)	**-**
– transfer from receivables	-	-	-	-	-	2 755	**2 755**
Decreases:	**(334)**	**-**	**-**	**-**	**-**	-	**(334)**
– liquidation	(318)	-	-	-	-	-	**(318)**
– foreign exchange differences	(16)	-	-	-	-	-	**(16)**
Gross value as at 31 December 2019	**66 203**	**679**	**53 825**	**86 306**	**36**	**3 036**	**210 085**
Accumulated amortization as at 1 January 2019	**(30 393)**	**(587)**	**-**	**-**	**(23)**	**-**	**(31 003)**
Movements for the period:	**(4 731)**	**(23)**	**(2 994)**	**(2 505)**	**(7)**	**-**	**(10 260)**
– charge for the period (note 30)	(5 048)	(23)	(2 994)	(2 505)	(7)	-	**(10 577)**
– liquidation	313	-	-	-	-	-	**313**
– foreign exchange differences	4	-	-	-	-	-	**4**
Accumulated amortization as at 31 December 2019	**(35 124)**	**(610)**	**(2 994)**	**(2 505)**	**(30)**	**-**	**(41 263)**
Net value as at 1 January 2019	**28 285**	**91**	**-**	**-**	**13**	**-**	**28 389**
Net value as at 31 December 2019	**31 079**	**69**	**50 831**	**83 801**	**6**	**3 036**	**168 822**

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

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

	2020	2019
Cost of finished goods and services sold	11 437	6 052
Administrative expenses	5 376	4 440
Selling expenses	146	85
Total (note 30)	**16 959**	**10 577**

The Group did not report any material intangible assets developed internally or leased.

The value of expenditure on research and development recognized as cost in 2020 was PLN 14 910 thousand (in 2019: PLN 2 101 thousand).

As at 31 December 2020 and 31 December 2019, Group companies reported no material liens or encumbrances *(obciążenia o charakterze prawnorzeczowym)* or encumbrances obligating to perform a legal act *(obciążenia obligacyjne)* established on their intangible assets.

No impairment write-downs against intangible assets were made in the year 2020 or 2019.

12. Goodwill of subordinated entities

Goodwill of subordinated entities amounted as at 31 December 2020 and 31 December 2019 to PLN 168 508 thousand and was composed of goodwill of Budimex Dromex SA in the amount of PLN 73 237 thousand and goodwill recognized on acquisition of the FBSerwis SA Group in the amount of PLN 95 271 thousand.

Impairment test of goodwill that originated on acquisition of shares of Budimex Dromex SA

Goodwill is allocated to the cash generating units in the Group. It is assumed that the cash generating unit for the goodwill that arose on the acquisition of Budimex Dromex SA by Budimex SA is the part of the construction segment referring to domestic general construction and infrastructure.

The recoverable amount of the cash generating unit is determined on the basis of calculations of value in use. The calculations make use of the projections of five-year cash flows. Cash flows beyond the five-year period were assessed at fixed level. The adopted growth rate does not exceed long-term average growth rate for the construction industry, in which the cash generating unit operates. The calculations assumed the gross margin ranging from 6.8% to 8.0% and the discount rate of 8% (after rounding and grossing up). The Management Board determined budgeted gross margin on the basis of historical data and its projections for market development. Weighted average growth rates are consistent with the forecasts presented in industry reports. The applied discount rate is a pre-tax rate that accounts for the specific threats of individual segments. No reasonable change in test assumptions would cause goodwill impairment.

Based on the impairment test of goodwill originating on acquisition of shares of Budimex Dromex SA which was performed as at 31 December 2020, the Management Board concluded that there was no need to recognize goodwill impairment write-down.

Impairment test of goodwill that originated on acquisition of shares of FBSerwis SA

It is assumed that for the goodwill that originated on the acquisition of shares of FBSerwis SA by Budimex SA, the cash generating unit is the entire business activity of the FBSerwis Group allocated to the parent shareholder, which is composed of the following: the entire business of FBSerwis SA, FBSerwis Dolny Śląsk Sp. z o.o., FBSerwis Wrocław Sp. z o.o., FBSerwis Karpatia Sp. z o.o. and 80% of the value generated by the business of FBSerwis Kamieńsk Sp. z o.o.

The recoverable amount of the cash generating unit is determined on the basis of calculations of value in use. The calculations make use of the projections of five-year cash flows. Cash flows beyond the five-year period were assessed at fixed/constant real level. The adopted growth rate does not exceed long-term average growth rate for the service industry, in which the cash generating unit operates. The calculations assume the level of EBITDA (earnings before interest, taxes, depreciation and amortization) ranging between 16.8% and 17.4%, while the applied discount rate was 8.0%. The Management Board determined the forecasted margin based on historical results and the forecasts (own and those of the key management of the FBSerwis Group) regarding future results of the FBSerwis Group. No reasonable change in test assumptions points to a possible impairment of goodwill.

Based on the results of the impairment test of goodwill originating on acquisition of shares in FBSerwis SA, which was performed as at 31 December 2020, the Management Board concluded that there was no need to recognize goodwill impairment write-down.

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

13. Investments in equity-accounted entities

	2020	2019
Opening balance	**2 076**	**37 427**
– of which goodwill	-	-
Share in profits / (losses)*	145	4 785
Assumption of control over an associate	-	(40 115)
Dividend paid by associates	-	(21)
Closing balance	**2 221**	**2 076**
– of which goodwill	**-**	**-**

*) Shares in profits/ (losses) for the period also cover part of the prior year's result, which was not consolidated in the year, to which it related. The consolidated financial statements of the Budimex Group were based on the preliminary financial data of associates for a given financial year, and the financial statements of these entities changed after publication by the Group of its consolidated financial statements. In 2020, the Group's share in the results of equity accounted entities was adjusted by the amount of PLN (8) thousand. In 2019, the Group's share in the results of equity-accounted entities was adjusted by PLN (302) thousand.

The list of associates as at 31 December 2020 and 31 December 2019:

Entity name	Type	Registered office	Share in the issued capital and in the number of votes (%)	
			31 December 2020	31 December 2019
Promos Sp. z o.o.	associate	Cracow / Poland	26.31%	26.31%

The selected financial data of the associate, Promos Sp. z o.o., as at 31 December 2020 and 31 December 2019 are as follows:

Promos Sp. z o.o.	2020	2019
Non-current assets	14 884	15 787
Current assets	2 603	2 108
Non-current liabilities	(6 064)	(6 963)
Current liabilities	(2 981)	(3 041)
Revenue	12 705	9 267
Profit (loss) from continuing operations	580	180
Profit (loss) after tax from discontinued operations	-	-
Other comprehensive income	-	-
Comprehensive income for the period	580	180
Dividend received from the associate	-	21

The reconciliation of the above financial information to the carrying amount of shares in Promos Sp. z o.o. reported in the consolidated financial statements is as follows:

Promos Sp. z o.o.	31 December 2020	31 December 2019
Net assets	8 442	7 891
The Group's equity interest in the associate	26.31%	26.31%
Other adjustments	-	-
Carrying amount of the Group's equity interest in the associate	**2 221**	**2 076**

The Group's share in the results of associates was as follows:

	2020	2019
Share in profits of associates	145	4 785
Total	**145**	**4 785***

*the amount includes the companies of the FBSerwis SA Group, which from 3 July 2019 are consolidated using the full method

In the years 2019-2020, the Group's share in other comprehensive income of associates amounted to PLN 0.00.

As at 31 December 2020 and 31 December 2019, the Budimex Group had no share in the contingent assets and contingent liabilities of associates.

The associate conducts property maintenance and property lease activities.

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

14. Financial assets and financial liabilities

The Budimex Group has the following financial instruments – presented below is their classification:

		Note	31 December 2020	31 December 2019
FINANCIAL ASSETS				
Financial assets measured at amortized cost				
Retentions for construction contracts		28	69 613	107 645
Receivables from service concession arrangements (long-term portion)/ Other financial assets (short-term portion)		15	46 769	46 921
Valuation of construction contracts		26	594 315	444 008
Trade and other receivables*		16	850 569	1 031 145
Other financial assets (debt instruments)		14.4	-	119 721
Financial assets at fair value through profit or loss (FVPL)				
Cash and cash equivalents	*level 2 of the fair value hierarchy according to IFRS 13*	18	2 384 398	1 515 977
Other financial assets (derivative financial instruments)	*level 2 of the fair value hierarchy according to IFRS 13*	14.2	1 743	1 026
Investments in equity instruments	*level 3 of the fair value hierarchy according to IFRS 13*	14.3	6 922	7 816
Balance at the end of the period			**3 954 329**	**3 274 259**
FINANCIAL LIABILITIES				
Financial liabilities measured at amortised cost				
Trade and other payables**		22	1 255 371	1 266 506
Retentions for construction contracts		28	456 721	444 554
Loans and borrowings and other external sources of finance		21	450 730	450 366
Other financial liabilities (liability from deferred payment for shares)		14.5	17 694	16 687
Liabilities measured at fair value through profit or loss (FVPL)				
Other financial liabilities (derivative financial instruments)	*level 2 of the fair value hierarchy according to IFRS 13*	14.2	5 649	4 423
Balance at the end of the period			**2 186 165**	**2 182 536**

*except for the amounts of prepaid expenses, taxation, subsidy, customs duty and social security debtors, and except for prepayments
**financial liabilities according to note 22

In the 12-month periods ended 31 December 2020 and 31 December 2019, there were no movements between Level 1 and Level 2 of the fair value hierarchy, and there were no movements from/ to Level 3 of this hierarchy.

Investments in equity instruments classified to Level 3 are measured at historical cost adjusted for impairment losses (see note 14.3).

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

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

For the period from 1 January 2020 to 31 December 2020

	Financial assets measured at fair value through profit or loss (FVPL) from initial recognition	Financial assets measured at amortized cost	Financial liabilities measured at fair value through profit or loss (FVPL) from initial recognition	Financial liabilities measured at amortized cost	Total
Interest income /(expense)	7 040	15 727	-	(7 752)	**15 015**
Foreign exchange gains /(losses)	6 689	(834)	-	(6 676)	**(821)**
Reversal/ (recognition) of impairment write-downs	(1 119)	(12 745)	-	-	**(13 864)**
Statute-barred liabilities written-off	-	-	-	3 198	**3 198**
Valuation gains/(losses)	2 473	3 949	(2 982)	(4 100)	**(660)**
Gains /(losses) on disposal/ realization of financial instruments	382	-	357	-	**739**
Total	**15 465**	**6 097**	**(2 625)**	**(15 330)**	**3 607**

For the period from 1 January 2019 to 31 December 2019

	Financial assets measured at fair value through profit or loss (FVPL) from initial recognition	Financial assets measured at amortized cost	Financial liabilities measured at fair value through profit or loss (FVPL) from initial recognition	Financial liabilities measured at amortized cost	Total
Interest income /(expense)	8 662	5 497	-	(7 651)	**6 508**
Foreign exchange gains /(losses)	(618)	(1 118)	-	1 886	**150**
Reversal/ (recognition) of impairment write-downs	-	(3 634)	-	-	**(3 634)**
Statute-barred liabilities written-off	-	-	-	7 445	**7 445**
Dividends received	3	-	-	-	**3**
Valuation gains/(losses)	(3 236)	3 624	(1 352)	(27)	**(991)**
Gains /(losses) on disposal/ realization of financial instruments	4 231	-	(952)	-	**3 279**
Total	**9 042**	**4 369**	**(2 304)**	**1 653**	**12 760**

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

14.1 Loans granted

As at 31 December 2020 and 31 December 2019, the Group did not have any loans to non-Group entities.

	2020	2019
Opening balance	**-**	**74 145**
– including the FBSerwis Group in consolidation	-	(74 145)
– loan granted	15 000	-
– accrued interest (note 33)	2	2 161
– repayment of loan granted	(15 000)	-
– interest repayment	(2)	(2 103)
– reversal of impairment write-down (note 33)	-	525
– set-off with liabilities	-	(583)
Closing balance	**-**	**-**
of which:		
– long-term	-	-
– short-term	-	-

During 2020, Budimex SA granted a loan to Budimex I Sp. z o.o. in the amount of PLN 15 000 thousand under the agreement of 12 November 2020. The effective interest rate on the loan in 2020 was 4.22%. The loan was granted until 12 November 2021 and was repaid before the maturity date, together with the accrued interest in the amount of PLN 2 thousand.

The fair value of the loans granted approximates their carrying amounts. Loans granted were classified as financial assets measured at amortized cost.

14.2 Derivative financial instruments

Policies concerning use of derivative financial instruments are defined in the Group Risk Management Policy authorized by the Management Board.

Derivative financial instruments (derivatives) are measured at the reporting date at a reliably determined fair value. Fair value of forward transactions is estimated using the model based on currency exchange rates (closing rate) prevailing on the reporting date and on differences in interest rates of the quotation and base currencies. IRSs' (interest rate swaps) fair value is estimated based on discounted future cash flows related to interest swaps. An IRS interest rate curve prevailing at the reporting date is used for discounting purposes.

The effects of periodic valuation and settlement of FX forward contracts and currency options are reported in the profit and loss account as part of the operating activity, while the effects of periodic valuation and settlement of interest rate swaps are reported in the financial activity.

	2020	2019
Gains/ (losses) on valuation of FX forward contracts	472	(3 774)
Gains / (losses) on realisation of FX forward contracts	1 442	4 215
Total gains / (losses) on derivative financial instruments recognised as part of operating activities (note 32)	**1 914**	**441**
Gains/ (losses) on valuation of IRS contracts	(981)	(814)
Gains/ (losses) on realisation of IRS contracts	(703)	(612)
Total gains / (losses) on derivative financial instruments recognised as part of financing activities (note 33)	**(1 684)**	**(1 426)**

The fair value of the transactions concluded by Group companies and open as at 31 December 2020 and 31 December 2019 is presented in the table below:

	Financial assets arising from derivatives valuation		Financial liabilities arising from derivatives valuation	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
FX forward contracts	**1 743**	**1 026**	**1 230**	**985**
– up to 1 year	*1 743*	*1 026*	*1 230*	*788*
– 1 – 2 years	-	-	-	*197*

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

	Financial assets arising from derivatives valuation		Financial liabilities arising from derivatives valuation	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Interest rate swap	**-**	**-**	**4 419**	**3 438**
– up to 1 year	-	-	*849*	*515*
– 1 – 2 years	-	-	*832*	*522*
– 2 – 5 years	-	-	*1 779*	*1 406*
– above 5 years	-	-	*959*	*995*

The total nominal value of FX forward contracts as at 31 December 2020 was EUR 29 545 thousand and CZK 19 962 thousand, while as at 31 December 2019 – EUR 28 344 thousand and CZK 42 722 thousand,

Forward selling/ buying rate for Euro-based transactions open as at 31 December 2020 ranged EUR/ PLN 4.3809 – 4.5987 (as at 31 December 2019 – EUR/ PLN 4.271 – 4.4712). Euro-based forward transactions open as at 31 December 2020 are to be settled within 28 - 301 days (as at 31 December 2019, transaction settlement date was 30 - 664 days).

Forward selling/ buying rate for CZK-based transactions open as at 31 December 2020 was CZK/ PLN 0.1683 (as at 31 December 2019 – CZK/ PLN 0.1674). CZK-based forward transactions open as at 31 December 2020 are to be settled within 28 days (as at 31 December 2019 - 30 days).

As at 31 December 2020 and as at 31 December 2019, the Group had open IRS transactions, under which it will pay fixed interest rate and will receive 3M WIBOR floating rate. The nominal value of individual IRS transactions did not exceed PLN 10 000 thousand. The longest maturity date for said transactions falls on 30 September 2030.

14.3 Investments in equity instruments

Investments in equity instruments comprise solely shares in the companies.

	2020	2019
Opening balance	**7 816**	**9 778**
Increases:	**225**	**70**
– increase in the issued capital of non-consolidated entities	225	70
Decreases	**(1 119)**	**(2 032)**
– impairment write-downs (note 33)	(1 119)	-
– sale	-	(2 032)
Closing balance	**6 922**	**7 816**
of which:		
– long-term	***6 922***	***7 816***
– short-term	-	-

On 16 April 2020, the issued capital of Budimex A Sp. z o.o., Budimex C Sp. z o.o., Budimex D Sp. z o.o. was increased by PLN 25 thousand in each company, while in Budimex H Sp. z o.o. and Budimex I Sp. z o.o. - by PLN 50 thousand in each company. In addition to this, on 24 September 2020, the issued capital of ConVentures Sp. z o.o. was increased by the amount of PLN 50 thousand.

In addition, due to the identification of investments impairment indicators in 2020, an impairment loss for shares in a related company - Autostrada Południe SA, in the amount of PLN 1 119 thousand was recognised.

During the next 12 months, the Group does not intend to sell any of its investments in equity instruments.

Investments in equity instruments were classified as financial assets measured at fair value through profit or loss (FVPL). Due to the fact that determining fair value of these assets is not possible (they are not listed), it was assumed that the most reasonable value for their disclosure is the book value.

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

14.4 Investments in debt instruments

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

	2020	2019
Balance at the beginning of the period	**119 721**	**-**
Increases:	**270 279**	**119 721**
– purchase	269 079	119 588
– accrued interest (note 33)	1 200	133
Decreases:	**(390 000)**	**-**
– bonds redemption	(388 667)	-
– interest payment	(1 333)	-
Balance at the end of the period	**-**	**119 721**
of which:		
– long-term	-	-
– short-term	-	*119 721*

As at 31 December 2020, the Group did not have debt securities. As at 31 December 2019, the average yield to maturity of held debt securities was 2.03% p.a. and their average maturity date was 43 days.

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

14.5 Liabilities from deferred payment for shares

The Budimex Group reported at 31 December 2020 and 31 December 2019 liabilities from deferred payment for shares in FBSerwis Karpatia Sp. z o.o. and FBSerwis Wrocław Sp. z o.o. As at 31 December 2020, this liability amounted to PLN 17 694 thousand (31 December 2019 – PLN 16 687 thousand) and was measured at amortised cost. Nominal value of said liability was PLN 19 776 thousand and effective discount rate was 10.53% (which matches the annual rate of 4.55%). Liability maturity rate was set for June 2023.

15. Receivables from service concession arrangements

One of the Group companies (operator) concluded with a public sector entity an agreement concerning drafting design/ project documentation and construction of an underground car park with ground parking lots in Wrocław. As consideration, the company was granted the right to the exclusive, paid-for use of the car park and to the collection of charges for parking tickets from car park users. The service concession arrangement was concluded for a period of 30 years and 4 months. In accordance with this service concession arrangement, the operator is obligated to maintain the constructed infrastructure to certain unchanged level of serviceability throughout the term of the arrangement. The arrangement defines also the guaranteed level of revenue to be received by the operator, should the level of revenue from parking tickets differ from the base revenue set forth in the service concession arrangement for the given year. The price for service provision (parking tickets) is determined in the service concession arrangement. The operator has the right to modify this price at least once a year by at least the value of indexation.

Apart from that, Group companies concluded with a public sector entity contracts for the performance of construction works and services of summer and winter road maintenance.

A test was performed at the date of service concession arrangements which confirmed that the payments guaranteed under the arrangements cover the construction contract consideration expressed in fair value. Thus, the revenue from the construction services was recognised in its entirety as financial assets. The fair value of the concession arrangement receivables approximates the carrying amount.

Movements in receivables from service concession arrangements

	2020	2019
Opening balance	**46 921**	**46 416**
Increases:	**2 877**	**3 326**
– valuation of financial assets at amortised cost (note 33)	2 877	2 870
– change in Group composition	-	456
Decreases	**(3 029)**	**(2 821)**
– repayments	(3 029)	(2 821)
Closing balance	**46 769**	**46 921**
of which:		
– long-term	***46 654***	***46 690***
– short-term (note 14) – presented under “other financial assets”	***115***	***231***

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

In 2020 and 2019, revenue and gains/ (losses) from construction services under realised service concession arrangements did not occur.
Receivables from service concession arrangements were classified as financial assets measured at amortized cost.

16. Trade and other receivables

	31 December 2020	31 December 2019
Long-term trade and other receivables		
Prepaid expenses	28 550	23 437
Other receivables	-	18 450
Long-term trade and other receivables, net	**28 550**	**41 887**
Impairment write-down against long-term receivables	111	102
Long-term trade and other receivables, gross	**28 661**	**41 989**
Short-term trade and other receivables		
Trade receivables	841 796	981 729
Advance payments made	27 511	51 678
Taxation, subsidy, customs duty, social security, health insurance and other debtors	8 796	3 140
Prepaid expenses	31 163	28 644
Other receivables	8 773	30 966
Short-term trade and other receivables, net	**918 039**	**1 096 157**
Impairment write-down against receivables	113 281	134 836
Short-term trade and other receivables, gross	**1 031 320**	**1 230 993**
Total trade and other receivables, net	**946 589**	**1 138 044**

Prepaid expenses mainly include guarantee and insurance costs paid in advance.

No credit risk concentration in respect of trade receivables was identified at the Group due to the fact that its main customers are government agencies or State Treasury companies carrying out government infrastructure programs. Trade receivables from 5 customers with the highest balances as at 31 December 2020 amounted to PLN 501 606 thousand and accounted for 59.59% of the total trade receivables:

	Balance as at 31 December 2020	Percentage
Customer 1	294 066	34.93%
Customer 2	87 298	10.37%
Customer 3	57 085	6.78%
Customer 4	35 419	4.21%
Customer 5	27 738	3.30%
other	340 190	40.41%
Total trade receivables	**841 796**	**100.00%**

The fair value of trade and other receivables approximates their carrying amount. As at 31 December 2020 and 31 December 2019, no securities or collaterals were established on these assets.

Impairment write-downs against long- and short-term trade and other receivables

	2020	2019
Impairment write-downs against receivables - opening balance	**134 938**	**135 211**
Charged to other operating expenses (note 32)	26 271	12 350
Reversed to other operating income (note 32)	(13 526)	(8 191)
Utilised	(34 937)	(5 679)
Foreign exchange differences	646	(76)
Change in Group composition	-	1 323
Impairment write-downs against receivables - closing balance	**113 392**	**134 938**

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

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

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

The Budimex Group analyses credit risk for trade receivables, by the following groups of amounts receivable:
1. public investor receivables from main sales
2. private investor receivables from main sales
3. other receivables from other contractors from re-invoiced raw materials, re-invoiced costs and re-invoiced owner's representation/ project supervisor *(wykonawstwo zastępcze)* expenses etc.

For the above groups of receivables, a portfolio analysis was performed and a simplified matrix was used for the impairment write-downs in individual receivable ageing categories, based on the receivables' lifetime expected credit losses calculated using the indexes of impairment write-downs in the individual categories determined using the 2016-2020 historical data.

1. In the analysed period, on average 75% of sales was realised to the public sector companies, including in a significant part to the State Treasury companies. On the other hand, sales in the development business – the transfer of the subject of sale (flat) takes place after all receivables have been settled, and therefore, there is no risk of non-payment of receivables from customers. Given the fact that the Group does not does not assume any significant change in the realized sales structure, and the level of impairment write-downs against past due receivables from these entities was approx. 0.1%, the credit risk for this portfolio was assessed as insignificant.

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

2. Receivables from private contractors incur the highest credit risk. However, the Budimex Group's proactive policy of credit risk control minimizes the level of doubtful receivables also in this part of the portfolio. The average for the last 5 years shows that the level of impairment write-downs approximated 0.1% of portfolio receivables.

3. Receivables from other contractors incur higher credit risk. However, due to the their marginal share in total receivables (of approx. 8.6%, and approx. 1% share in total sales) and the adopted policy for their valuation and revaluation at the time of origination based on expected cash flows and held securities (guarantees and retentions to be set-off against), they do not have any significant impact on risk assessments in the future.

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

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

As at 31 December 2020, all overdue other receivables in the amount of PLN 37 178 thousand were classified to the category of receivables whose credit risk significantly increased (as at 31 December 2019 it amounted to PLN 36 702 thousand).

As at 31 December 2020, the total impairment write-down in the amount of expected credit losses was PLN 113 392 thousand (PLN 134 938 thousand as at 31 December 2019).

Ageing analysis of trade receivables

	31 December 2020	31 December 2019
Trade receivables due and receivable in:		
- up to 1 month	667 506	679 653
- 1 – 3 months	95 672	195 901
- 3 -6 months	1 158	9 312
- 6 months – 1 year	21 086	336
- above 1 year	4	1 662
- overdue receivables	132 584	193 101
Trade receivables, gross	**918 010**	**1 079 965**
Impairment write-downs	76 214	98 236
Trade receivables, net	**841 796**	**981 729**

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

The Group's exposure to credit risk in relation to trade receivables as at 31 December 2020 is presented in the table below:

	Short-term trade receivables as at 31 December 2020						
	current	overdue for					Total
		1-30 days	31-90 days	91-180 days	181-365 days	>365 days	
Risk of default*	0.70%	1.96%	17.43%	62.06%	54.70%	67.33%	
Gross value of risk-exposed receivables	785 426	15 125	11 736	9 327	18 385	78 011	918 010
ECL allowance	5 504	296	2 045	5 788	10 057	52 524	76 214

**includes standard risk determined on the basis of historical data and additional write-offs created for selected counterparties.*

The Group's exposure to credit risk in relation to trade receivables as at 31 December 2019 is presented in the table below:

	Short-term trade receivables as at 31 December 2019						
	current	overdue for					Total
		1-30 days	31-90 days	91-180 days	181-365 days	>365 days	
Risk of default*	0.74%	0.95%	1.25%	5.88%	16.75%	90.16%	
Gross value of risk-exposed receivables	886 864	34 629	38 834	11 571	9 880	98 187	1 079 965
ECL allowance	6 563	329	485	680	1 655	88 524	98 236

**includes standard risk determined on the basis of historical data and additional write-offs created for selected counterparties.*

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

17. Inventories

	31 December 2020	31 December 2019
Raw materials - own	423 378	478 596
Semi-finished goods and work in progress – own	939 975	909 239
Semi-finished goods and work in progress – right-of-use asset	68 771	29 989
Finished goods – own	188 910	51 580
Finished goods – right-of-use asset	7 110	1 512
Goods for resale – own	364 384	490 585
Goods for resale – right of use asset	5 727	52 255
Inventories net value - closing balance	**1 998 255**	**2 013 756**
Inventory impairment write-downs	19 292	21 755
Inventories gross value - closing balance	**2 017 547**	**2 035 511**

Inventory impairment write-downs

	2020	2019
Inventory impairment write-downs - opening balance	**21 755**	**29 745**
Charged to other operating expenses (note 32)	8 620	1 549
Reversed to other operating income (note 32)	(7 737)	-
Reversed to the cost of finished goods sold	(365)	-
Utilised	(2 981)	(9 539)
Inventory impairment write-downs – closing balance	**19 292**	**21 755**

The reasons for reversing inventory impairment write-downs are presented in the table below:

	2020	2019
Inventory sale	365	-
Increase in the recoverable amount	7 737	-
Total	**8 102**	**-**

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

As at 31 December 2020, inventories were pledged as collaterals for the investment loans with a value of PLN 302 851 thousand, while as at 31 December 2019 – as collateral for the investment loans with a value of PLN 288 791 thousand (note 0).

In 2020, inventories were financed by non-Group loans and therefore, at the consolidated level, the Group companies capitalised to inventories loan interest. The total value of interest capitalised to Group inventories as at 31 December 2020 was PLN 653 thousand, while as at 31 December 2019 – PLN 100 thousand.

As at 31 December 2020, the value of inventories to be utilised or sold in the period of more than 12 months was PLN 909 490 thousand, while as at 31 December 2019 – PLN 1 011 458 thousand.

Inventories with a value of PLN 1 559 450 thousand relate to the expenditure incurred in respect of realised residential projects earmarked for further sale. Due to the general situation on the residential market, the Group is exposed to the risk of fluctuations of selling prices of apartments and service spaces/ premises. The risk of price fluctuations was mitigated in respect of these apartments that had been sold based on preliminary sale agreements. As regards the investment projects for which the construction phase did not start, no binding agreements for construction services were signed.

To verify market value of held assets, the Management Board commissioned an external appraiser, CBRE Sp. z o. o. to perform valuation of certain inventory items. Inventory market value as at 31 December 2020 determined based on appraiser and in-house valuations exceeds the carrying amount of tested inventory items. Given the above, the Management Board decided that no impairment adjustment should be recognised other than that already recognised in the financial statements.

Up to the date of the preparation of these consolidated financial statements there were no events that should be reflected in the form of an inventory adjustment or disclosure in the consolidated financial statements.

18. Cash and cash equivalents

	31 December 2020	31 December 2019
Cash on hand	104	156
Cash at bank	2 384 294	1 515 821
Total cash and cash equivalents	**2 384 398**	**1 515 977**
Cash and cash equivalents of restricted use	(302 900)	(175 762)
Cash recognised in the statement of cash flows	**2 081 498**	**1 340 215**

Included in cash and cash equivalents of restricted use are the following:

	31 December 2020	31 December 2019
Cash of the consortia in the portion attributable to other consortium members	46	753
Cash representing security for bank guarantee	3 022	3 024
Escrow accounts of development companies	70 740	24 757
Blocked development project accounts	118 080	123 185
Cash on the split payment accounts	109 839	22 490
Cash and cash equivalents serving as loan collateral (note 0)	1 052	1 455
Other	121	98
Total cash and cash equivalents of restricted use	**302 900**	**175 762**

Short-term bank deposits and highly liquid investments included in cash and cash equivalents comprise mainly “overnight” deposits and short-term deposits with a maturity date of 2-184 days with an average effective interest rate as at 31 December 2020 of 0.08% per annum for PLN-based deposits (as at 31 December 2019: 1.49% p.a. for PLN-based deposits). The average maturity period for these deposits is 140 days (31 December 2019: 36 days).

In 2020, the Group acquired cash and cash equivalents with a value of PLN 11 028 thousand following guarantee realization (in 2019: PLN 2 352 thousand).

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

19. Equity

At the date of transition to IFRSs, the Group adjusted the value of issued capital and of share premium for the period, in which the Polish economy was hyperinflationary. The effects of restatement and reconciliation of balances shown in the books of account and corporate records of Group companies as at 31 December 2020 and 31 December 2019 to the balances recognised in the financial statements are presented in the table below.

	31 December 2020		31 December 2019	
	Ordinary shares	Share premium	Ordinary shares	Share premium
Equity as per books of account	**127 650**	**85 083**	**127 650**	**85 083**
Restatement of equity due to hyperinflation	18 198	2 080	18 198	2 080
Equity as per financial statements	**145 848**	**87 163**	**145 848**	**87 163**

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

The issued capital of the Parent Company consists of 25 530 098 shares with a total value of PLN 127 650 thousand. The structure of the issued capital of the Parent Company as at 31 December 2020 is as follows:

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

The number of shares making up authorised issued capital equates to the number of issued shares. The nominal value of one share is PLN 5.

The Parent Company does not hold treasury shares. Subsidiary and associated companies do not hold any shares in the Parent Company. No shares were reserved in connection with share issuance for the realisation of share options and sales agreements.

The amount of profit assigned for distribution results from the financial statements of the Parent Company.

20. Equity attributable to non-controlling interests

	2020	2019
Balance at the beginning of the period	**28 491**	**7 136**
– change in Group composition	-	21 444
– share in profit/(loss) during the year	10 714	3 424
– share in consolidation adjustments	1 215	(587)
– dividend to non-controlling interests	(2 500)	(2 926)
Balance at the end of the period	**37 920**	**28 491**

As at 31 December 2020 and 31 December 2019, the non-controlling interests accounted for 49% of the issued capital and the number of votes at the General Shareholders' Meeting of Budimex Parking Wrocław Sp. z o.o.

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

The selected financial data of Budimex Parking Wrocław Sp. z o.o. were as follows:

Budimex Parking Wrocław Sp. z o.o.	2020	2019
Statement of financial position		
Non-current assets	47 731	47 436
Current assets	4 745	3 259
Non-current liabilities	(34 174)	(34 614)
Current liabilities	(3 012)	(2 256)
Statement of comprehensive income*		
Revenue	5 502	5 965
Profit (loss) from continuing operations	1 409	1 671
Profit (loss) after tax from discontinued operations	-	-
Other comprehensive income	-	-
Comprehensive income for the period	1 409	1 671
Dividends received from Budimex Parking Wrocław Sp. z o.o.	-	-

On 3 July 2019, Budimex SA acquired 51% shares in FBSerwis SA and thus obtained control over the companies of the FBSerwis SA Group, including FBSerwis Kamieńsk Sp. z o.o., in which the Budimex Group holds 80% of shares.

The selected financial data of FBSerwis Kamieńsk Sp. z o.o. were as follows:

FBSerwis Kamieńsk Sp. z o.o.	2020	2019
Statement of financial position		
Non-current assets	55 287	57 369
Current assets	127 738	77 043
Non-current liabilities	(42 259)	(40 979)
Current liabilities	(64 229)	(55 943)
Statement of comprehensive income		**(for the period from 3 July to 31 December 2019)**
Revenue	162 827	60 121
Profit (loss) from continuing operations	50 119	13 024
Profit (loss) after tax from discontinued operations	-	-
Other comprehensive income	-	-
Comprehensive income for the period	50 119	13 024
Dividends received from FBSerwis Kamieńsk Sp. z o.o.	-	-

21. Loans and borrowings and other external sources of finance

	31 December 2020	31 December 2019
	Carrying amount	
Non-current		
Bank loans and borrowings	40 767	69 420
Lease liabilities	220 821	203 792
Interest accrued on long-term loans and borrowings	75	46
	261 663	**273 258**
Current		
Bank loans and borrowings	10 560	12 066
Lease liabilities	178 507	165 042
	189 067	**177 108**
Total	**450 730**	**450 366**

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

Maturity analysis of loans and borrowings based on undiscounted contractual cash flows is as follows:

	31 December 2020		31 December 2019	
	Carrying amount	**Undiscounted contractual cash flows***	**Carrying amount**	**Undiscounted contractual cash flows***
– up to 1 year	10 560	11 658	12 066	13 691
– 1-3 years	9 269	10 950	11 475	13 991
– 3-5 years	10 175	11 295	31 407	36 060
– above 5 years	21 398	22 957	26 584	29 559
	51 402	**56 860**	**81 532**	**93 301**

*) comprise both principal and interest payments; as at 31 December 2020 and 31 December 2019, the amounts expressed in foreign currency were translated into Polish zloty at the NBP period-end exchange rates, and interest payments were calculated using the interest rates prevailing in the last interest period before 31 December 2020 and 31 December 2019.

The Group companies have the option of early repayment of loans and borrowings before maturity date. No penalty clause for early loan repayment was included in the loan agreements signed by Group companies.

In the period covered by these consolidated financial statements, no instances were identified of default on principal or interest payment, non-compliance with the terms and conditions of escrow accounts, liability settlement or terms and conditions of factoring of borrowing-related liabilities.

One company in the Group failed to comply with the repayment terms of the loan received from its minority shareholder, as it did not pay loan interest of PLN 64 thousand on time. Penalty interest in the amount of PLN 1 thousand was charged on this amount (from the contractual repayment date to 31 December 2020). Failure to repay the contractual interest on time does not entail the requirement to repay the entire loan principal.

Other Group companies did not breach or renegotiate the terms of bank loans and borrowings before the date of the authorization of these consolidated financial statements.

The carrying amount of long-term loans and borrowings approximates their fair value as interest rate terms and conditions set forth in these agreements are based on variable interest rate.

Loans and borrowings, by currency and by interest rate (translated into PLN):

	31 December 2020	31 December 2019
	Outstanding amount	
Long-term portion	40 842	69 466
PLN (WIBOR)	*27 790*	*61 173*
PLN (fixed interest rate)	*13 052*	*8 293*
Short-term portion	10 560	12 066
PLN (WIBOR)	*5 339*	*6 834*
PLN (fixed interest rate)	*5 221*	*5 232*
	51 402	**81 532**

Risk of interest rate fluctuations

The effective interest rates as at 31 December 2020 and 31 December 2019 were as follows:

	31 December 2020		31 December 2019	
	PLN	**EUR**	**PLN**	**EUR**
Bank loans and borrowings	1.70 – 3.50%	-	2.86% - 4.63%	-
Lease liabilities	1.58%	0.84%	3.01% - 4.45%	0.93% - 1.03%

Lease liabilities

The Budimex Group companies signed lease contracts for financing all classes of property, plant and equipment, mainly plant and machinery, and means of transport. The Group companies recognised as lease also liabilities from the fee for perpetual usufruct right (prior to transformation into ownership right); as a corresponding entry, inventories right-of use asset was recognised. Leased assets were made available for the period from 13 months (construction site offices) to 1200 months (perpetual usufruct). After the completion of the original lease term and after discharging its liabilities, the Company will have the right to acquire some of the leased assets for the price equating their residual value. The performance of some obligations under lease contracts is secured by a blank promissory note issued by the Company together with a written authorisation to complete it.

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

Ageing analysis of lease liabilities

31 December 2020	Present value of lease payments*	Undiscounted value of contractual cash flows
– less than 1 year	97 038	106 603
– 1 – 3 years	144 300	160 795
– 3 – 5 years	56 006	67 907
– above 5 years	101 984	288 526
	399 328	**623 831**

31 December 2019	Present value of lease payments*	Undiscounted value of contractual cash flows
– less than 1 year	84 564	120 413
– 1 – 3 years	137 963	175 289
– 3 – 5 years	53 584	76 588
– above 5 years	92 723	317 114
	368 834	**689 404**

* aging of lease liabilities shows their actual maturity, while in the statement of financial position, liabilities from the lease of the right of perpetual usufruct of land relating to inventories are presented in full as current liabilities

For some of their lease contracts, Group companies have the option of early repayment of the remaining balances of lease liabilities. The underlying lease contracts do not provide for penalties for early repayment of those liabilities.

22. Trade and other payables

	31 December 2020	31 December 2019
Short-term trade and other payables		
Financial liabilities		
Trade liabilities	230 996	370 312
Un-invoiced costs	694 207	651 238
Payroll	11 524	13 804
Accrued expenses, of which:	318 644	231 152
- unused annual leave	*54 178*	*48 131*
- employee bonus	*264 466*	*183 021*
Non-financial liabilities		
Taxation and social security creditors	61 208	206 910
Accrued expenses	49 753	35 915
- costs of construction contracts completion	*44 776*	*33 657*
- other	*4 977*	*2 258*
Other liabilities	5 518	21 442
Total short-term trade and other payables	**1 371 850**	**1 530 773**
Total trade and other payables	**1 371 850**	**1 530 773**

All trade and other payables as at 31 December 2020 and 31 December 2019 were recognised under current liabilities as they will be settled in the course of the Group's normal operating cycle.

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

23. Income tax

	31 December 2020	31 December 2019
Deferred tax assets		
– to be realised after 12 months	138 856	156 962
– to be realised within 12 months	605 662	431 579
Total	**744 518**	**588 541**
Offsetting	(222 667)	(169 652)
Deferred tax assets, after set-off	**521 851**	**418 889**
Deferred tax liabilities		
– to be settled after 12 months	55 235	53 357
– to be settled within 12 months	172 074	129 699
Total	**227 309**	**183 056**
Offsetting	(222 667)	(169 652)
Deferred tax liabilities, after set-off	**4 642**	**13 404**

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

	2020	2019
Balance at the beginning of the year	**405 485**	**361 851**
Credit/ (charge) to financial result	111 378	68 039
Credit/ (charge) to other comprehensive income	308	98
Change in Group composition	-	(24 514)
Other	38	11
Balance at the end of the year	**517 209**	**405 485**

	2020	2019
Current tax	269 415	162 475
Deferred tax	(111 378)	(68 039)
Adjustments to prior periods current income tax	(7 391)	9 070
Tax expense/ (tax income)	**150 646**	**103 506**

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

	2020	2019
Gross profit/ (loss)	**622 040**	**332 357**
Shares in (profits)/ losses of equity accounted entities	(145)	(4 785)
Pre-tax profit/ (loss)	**621 895**	**327 572**
Tax calculated using domestic tax rates	118 160	62 239
Differences in taxation of revenues of foreign operations	5 709	2 665
Adjustments to prior periods current income tax	(7 391)	9 070
Tax effects of permanent differences between gross profit and taxable income	4 688	14 054
Utilisation of carry-forward of unused tax losses or prior period deductible temporary differences	-	(688)
Deductible temporary differences, carry-forward of unused tax losses and carry-forward of unused tax credits for which no deferred tax assets were recognised in the statement of financial position	31 357	14 061
Tax expense/ (tax income) calculated with respect to industrial and commercial business operations in Germany	1 650	2 151
Other	(3 527)	(46)
Tax expense/ (tax income)	**150 646**	**103 506**
Effective tax rate	*24.22%*	*31.60%*

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

Movements in the balance of deferred tax assets, by title (before set-off), are presented in the table below:

	Deferred tax assets as at 1 January 2019	Recognition/ (utilisation) of deferred tax asset through profit or loss	Recognition/ (utilisation) of deferred tax asset through other comprehensive income	Change in Group composition	Other changes	Deferred tax assets as at 31 December 2019	Recognition/ (utilisation) of deferred tax asset through profit or loss	Recognition/ (utilisation) of deferred tax asset through other comprehensive income	Other movements	Deferred tax assets as at 31 December 2020
Valuation of construction contracts and provision for contract losses	139 311	64 516	-	-	-	203 827	98 625	-	-	302 452
Contract costs related to accrued income	100 686	(26 518)	-	-	-	74 168	15 994	-	-	90 162
Liabilities – un-invoiced costs	55 180	(5 909)	-	45	-	49 316	3 736	-	-	53 052
Tax loss	950	(363)	-	-	-	587	761	-	-	1 348
Provisions for warranty repairs	71 675	10 480	-	-	-	82 155	25 267	-	-	107 422
Other provisions for liabilities	26 103	65 310	-	(2 120)	-	89 293	(5 801)	-	-	83 492
Receivables - impairment write-downs	17 884	(1 699)	-	-	-	16 185	(6 650)	-	-	9 535
Employee bonus	33 813	(918)	-	182	-	33 077	15 180	-	-	48 257
Unused annual leave	8 538	(566)	-	221	-	8 193	991	-	-	9 184
Discount of retentions for construction contracts	791	(143)	-	-	-	648	(203)	-	-	445
Forward contracts valuation	628	215	-	-	-	843	234	-	-	1 077
Retirement benefits and similar obligations	2 670	351	98	80	-	3 199	294	308	-	3 801
Provision for land rehabilitation	-	(42)	-	7 907	-	7 865	1 243	-	-	9 108
Impairment write-downs against long-term financial assets	2 394	(333)	-	-	-	2 061	213	-	-	2 274
Other	64 039	(48 328)	-	1 402	11	17 124	5 747	-	38	22 909
Total	**524 662**	**56 053**	**98**	**7 717**	**11**	**588 541**	**155 631**	**308**	**38**	**744 518**
Offsetting	(162 811)					(169 652)				(222 667)
After set-off (recognised in the statement of financial position)	**361 851**					**418 889**				**521 851**

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

Movements in the balance of deferred tax liabilities, by title (before set-off), are presented in the table below:

	Deferred tax liabilities as at 1 January 2019	Recognition / (utilisation) of deferred tax liability through profit or loss	Recognition / (utilisation) of deferred tax liability through other comprehensive income	Change in Group composition	Other changes	Deferred tax liabilities as at 31 December 2019	Recognition / (utilisation) of deferred tax liability through profit or loss	Recognition / (utilisation) of deferred tax liability through other comprehensive income	Other movements	Deferred tax liabilities as at 31 December 2020
Valuation of construction contracts	106 692	(22 343)	-	-	-	84 349	31 306	-	-	115 655
Forward transactions valuation	854	(645)	-	-	-	209	136	-	-	345
Discount of retentions for construction contracts	4 882	41	-	-	-	4 923	(778)	-	-	4 145
Receivables – accrued interest	35	750	-	-	-	785	2 652	-	-	3 437
Right to waste landfilling	-	(568)	-	10 226	-	9 658	(1 095)	-	-	8 563
Waste processing permit	-	(476)	-	16 398	-	15 922	(952)	-	-	14 970
Leases	37 891	8 876	-	-	-	46 767	5 333	-	-	52 100
Other	12 457	2 379	-	5 607	-	20 443	7 651	-	-	28 094
Total	**162 811**	**(11 986)**	**-**	**32 231**	**-**	**183 056**	**44 253**	**-**	**-**	**227 309**
Offsetting	(162 811)					(169 652)				(222 667)
After set-off (recognised in the statement of financial position)	-					**13 404**				**4 642**

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

As at 31 December 2020, deductible temporary differences and carry-forward of unused tax losses, for which the deferred tax asset was not recognized in the statement of financial position, amounted to PLN 198 825 thousand (deferred tax assets PLN 31 455 thousand, respectively) and expire in 2021. As at 31 December 2019, deductible temporary differences and carry-forward of unused tax losses, for which no deferred tax asset was recognised in the statement of financial position amounted to PLN 84 646 thousand (deferred tax assets not recognised - PLN 12 804 thousand).
The reason for non-recognition of a deferred tax asset is that the probability of non-recovery of debts (receivables) that exists under Polish tax law is rather remote, as well as the lack of taxable income in Lithuania.

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

24. Retirement benefits and similar obligations

As at 31 December 2020, all employees of the Budimex Group benefited from two types of employee benefits:

- the retirement-pension benefits
- posthumous benefits (only employees of FBSerwis SA and its subsidiary companies).

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

Posthumous benefits are paid to employee family upon employee demise. The amount of the posthumous benefit due and payable is the product of the base of benefit calculation at the date of entitlement (i.e. at the date the right to receive benefit payment vests) and the appropriate ratio (progressing in proportion to the years of service). Liability under posthumous benefits was recognised only in FBSerwis SA and its subsidiary companies, because in other Budimex Group companies employees were covered by life insurance policy.

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

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

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

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

Risk of changes to retirement age - the present value of liabilities from retirement benefits and similar obligations is calculated based on statutory retirement age applicable in Poland.

Liabilities under employee benefits recognised in the statement of financial position:

	31 December 2020	31 December 2019
Retirement/ pension benefits, of which:	**19 845**	**16 640**
– present value of the obligation at the reporting date	19 845	16 640
Posthumous benefits, of which:	**283**	**216**
– present value of the obligation at the reporting date	283	216
Total retirement benefits and similar obligations	**20 128**	**16 856**
of which:		
– long-term portion	*18 505*	*14 979*
– short-term portion	*1 623*	*1 877*

Main actuarial assumptions (the table below shows the range of percentage rates adopted by actuary; these assumptions vary between Group companies and between individual years):

	31 December 2020	31 December 2019
Discount rate	0.26% – 1.29%	1.72% – 2.29%
Expected future staff turnover	0.0% – 27.2%	0.0% – 16.0%
Forecast salary growth rate	3.0%– 7.2%	3.0%– 7.2%

Assumptions regarding mortality are based on the 2019 Polish Life Expectancy Tables published by the Statistics Poland (Central Statistical Office of Poland).

The last valuation of employee benefits was made by an independent actuary as at 31 December 2020.

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

Retirement and pension benefits

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

	2020	2019
Present value of liability at the beginning of the period	**16 640**	**14 051**
Interest expense	264	342
Service costs	2 259	1 860
Benefits paid	(893)	(729)
Actuarial (gains)/losses, of which arising from:	1 575	518
- experience adjustments (ex post)	*(1 085)*	*(212)*
- change in assumptions	*2 660*	*730*
Change in Group composition	-	598
Present value of liability at the end of the period	**19 845**	**16 640**

Costs of future retirement and pension benefits charged to the profit and loss account are presented in the table below:

	2020	2019
Service costs	2 259	1 860
Interest expense	264	342
Costs recognised in the profit and loss account (note 31)	**2 523**	**2 202**
of which, employee allowances recognised in the profit and loss account under the following items:		
- cost of finished goods, goods for resale and raw materials sold	*1 803*	*204*
- selling expenses	*35*	*37*
- administrative expenses	*685*	*1 961*
Actuarial losses to be recognised in the period	1 575	518
Costs recognised in other comprehensive income	**1 575**	**518**

Posthumous benefits

Posthumous benefits are paid to employee family upon employee demise. The amount of the posthumous benefit due and payable is the product of the base of benefit calculation at the date of entitlement (i.e. at the date the right to receive benefit payment vests) and the appropriate ratio (progressing in proportion to the years of service). In 2020, liability under posthumous benefits was recognised only in FBSerwis SA and its subsidiary companies, because in other Budimex Group companies employees were covered by life insurance policy.

Movements in the balance of posthumous benefits are presented in the table below:

	2020	2019
Present value of liability at the beginning of the period	**216**	**-**
Interest expense	4	-
Service costs	35	216
Benefits paid out	(24)	-
Actuarial (gains)/losses, of which:	52	-
- experience adjustments (ex post)	*23*	*-*
- change in assumptions	*29*	*-*
Present value of liability at the end of the period	**283**	**216**

Costs of posthumous benefits charged to the profit and loss account are presented in the table below:

	2020	2019
Service costs	35	216
Interest expense	4	-
Costs recognised in the profit and loss account (note 31)	**39**	**216**
of which, employee allowances recognised in the profit and loss account under the following items:		
- cost of finished goods, goods for resale and raw materials sold	*39*	*216*
- selling expenses	*-*	*-*
- administrative expenses	*-*	*-*
Actuarial (gains)/ losses to be recognised in the period	52	-
(Gains)/ Costs recognised in other comprehensive income	**52**	**-**

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

Sensitivity analysis

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

Analysis of sensitivity to fluctuations in interest rates

An increase in the assumed discount rate by 1 percentage point would result in a decrease in liabilities from retirement and similar benefits by PLN 2 360 thousand, while a decrease in the assumed discount rate by 1 percentage point would bring about an increase in said liability by PLN 2 875 thousand.

Analysis of sensitivity to fluctuations in salary growth rates

An increase in the assumed salary growth rate by 1 percentage point would result in an increase in liabilities from retirement and similar benefits by PLN 2 688 thousand, while a decrease in the assumed remuneration growth rate by 1 percentage point would bring about a decrease in liability under retirement and similar benefits by PLN 2 272 thousand.

Analysis of sensitivity to staff turnover

An increase in the assumed staff turnover by 1 percentage point would result in a decrease in liabilities from retirement and similar benefits by PLN 1 150 thousand, while a decrease in the assumed staff turnover by 1 percentage point would bring about an increase in said liability by PLN 1 289 thousand.

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

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

25. Provisions for liabilities and other charges

	Litigation	Penalties and other sanctions	Warranty repairs	Restructuring	Other	Total
Balance as at 1 January 2019	**23 870**	**68 200**	**417 858**	**-**	**45 316**	**555 244**
Creation of additional provisions	417	72 079[1]	97 748	-	14 021[2]	184 265
Reversal of unused provisions	(411)	(18 195)[3]	(18 351)	(221)	(8 414)[4]	(45 592)
Provisions utilisation	-	-	(16 814)	-	(3 822)	(20 636)
Other movements	-	-	6	-	-	6
Change in Group composition	-		264	41 617	-	41 881
Balance as at 31 December 2019	**23 876**	**122 084**	**480 711**	**41 396**	**47 101**	**715 168**
Balance as at 1 January 2020	**23 876**	**122 084**	**480 711**	**41 396**	**47 101**	**715 168**
Creation of additional provisions	10 309	63 128[5]	181 064	7 284	20 321[6]	282 106
Reversal of unused provisions	(886)	(44 810)[7]	(50 825)	(1 480)[8]	(31 196)[9]	(129 197)
Provisions utilisation	(176)	(14 632)	(19 556)	-	(13 294)	(47 658)
Other movements	6	-	84	-	-	90
Balance as at 31 December 2020	**33 129**	**125 770**	**591 478**	**47 200**	**22 932**	**820 509**

1) of which PLN 292 thousand was recognised under finance costs
2) of which PLN 13 940 thousand was recognised under cost of finished goods and services, and goods for resale and raw materials sold, PLN 45 thousand - under administrative expenses, and PLN 36 thousand - under finance costs
3) of which PLN 3 296 thousand was recognised under finance income
4) of which PLN 8 414 thousand was recognised as a decrease to the cost of goods and services, and goods for resale and raw materials sold
5) of which PLN 24 thousand was recognized under finance cost
6) of which PLN 47 thousand was recognised under finance costs and PLN 17 145 thousand - under cost of goods and services, and goods for resale and raw materials sold
7) of which PLN 3 781 thousand was recognized under finance income
8) of which PLN 1 480 thousand was recognised as a decrease to finance costs
9) of which PLN 26 thousand was recognised as a decrease to finance costs and PLN 29 170 thousand as a decrease to the cost of goods and services, and goods for resale and raw materials sold

The creation/(reversal) of provisions for litigation (court cases), penalties and sanctions, and other provisions was recognised under other operating expenses (note 32), while creation / (reversal) of provision for warranty repairs and provision for land rehabilitation – under operating expenses, except for the transactions described in the footnotes to the above table.

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

The most significant court cases, to which the Group companies are parties, were described in point 5.7 of the Director's Report on activities for 2020.

The structure of total provisions is as follows:

	31 December 2020	31 December 2019
Non-current	593 398	498 422
Current	227 111	216 746
	820 509	**715 168**

26. Construction contracts

The tables below present data relating to construction contracts which are valued by Group companies in accordance with the stage of completion method (expenditure- or result-based method):

Selected consolidated data – statement of financial position

	31 December 2020	31 December 2019
Assets		
Valuation of construction contracts	594 315	444 008
Liabilities		
Valuation of construction contracts	1 302 164	951 448
Provision for losses on construction contracts	310 441	240 677
Advance payments for construction contracts in progress (note 27)	400 783	593 163

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

27. Deferred income

Deferred income comprises:

	31 December 2020	31 December 2019
Advance payments for construction contracts in progress (note 26)	400 783	593 163
Advance payments for flats in development companies	1 064 864	757 307
Other	3 979	5 840
Total	**1 469 626**	**1 356 310**

All advance payments received and other deferred income as at 31 December 2020 and 31 December 2019 were recognised under current liabilities as they will be settled in the Group's normal operating cycle.

28. Retentions for construction contracts

	31 December 2020	31 December 2019
Retained by customers – to be returned after 12 months	40 843	59 212
Retained by customers – to be returned within 12 months	28 770	48 433
Total retentions for construction contracts retained by customers	**69 613**	**107 645**
Received from suppliers – to be returned after 12 months	240 263	229 522
Received from suppliers – to be returned within 12 months	216 458	215 032
Total retentions for construction contracts received from suppliers	**456 721**	**444 554**

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

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

	31 December 2020	31 December 2019
Discount of long-term retentions for construction contracts retained by customers	2 337	3 409
Discount of long-term retentions for construction contracts received from suppliers	21 816	25 916

Amount of discount recognised in the profit and loss account:

	2020	2019
Decrease in sales revenue	(136)	(953)
Reduction in the cost of services sold	3 777	8 566
Total adjustment to gross margin	**3 641**	**7 613**
Adjustment to finance income / (finance costs) (note 33)	(6 669)	(6 886)
Deferred tax on the above adjustments	575	(139)
Net effect on the profit and loss account	**(2 453)**	**588**

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

29. Revenue from contracts with customers

29.1 Revenue from sale of goods and services, and goods for resale and raw materials, by category

29.1.1 Sales revenue, by type of good or service

In 2020, net sales of finished goods and services, and goods for resale and raw materials, by type of good or service, were as follows:

Segment	Construction business	Development activities and property management	Service activities	Exclusions	Consolidated financial data
Sales of construction-assembly work	7 441 360	-	-	(418 872)	**7 022 488**
Sales of other services	20 655	3 856	612 391	(24 247)	**612 655**
Sales of finished goods	51 666	653 458	-	-	**705 124**
Sales of goods for resale and raw materials	25 723	16 250	-	-	**41 973**
Total sales of finished goods, goods for resale and raw materials	**7 539 404**	**673 564**	**612 391**	**(443 119)**	**8 382 240**

In 2019, net sales of finished goods and services, and goods for resale and raw materials, by type of good or service, were as follows:

Segment	Construction business	Development activities and property management	Service activities	Exclusions	Consolidated financial data
Sales of construction-assembly work	7 053 193	-	-	(404 214)	**6 648 979**
Sales of other services	43 358	8 163	278 281	(15 882)	**313 920**
Sales of finished goods	40 981	542 097	-	-	**583 078**
Sales of goods for resale and raw materials	14 446	7 551	-	1 689	**23 686**
Total sales of finished goods, goods for resale and raw materials	**7 151 978**	**557 811**	**278 281**	**(418 407)**	**7 569 663**

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

29.1.2 Sales revenue, by geographical area

In 2020, net sales of finished goods and services, and goods for resale and raw materials, by geographical area, were as follows:

Segment	Construction business	Development activities and property management	Service activities	Exclusions	Consolidated financial data
Poland	7 160 796	673 564	612 052	(443 119)	**8 003 293**
Germany	248 978	-	199	-	**249 177**
Other EU countries	122 416	-	140	-	**122 556**
Norway	7 214	-	-	-	**7 214**
Total sales of finished goods, goods for resale and raw materials	**7 539 404**	**673 564**	**612 391**	**(443 119)**	**8 382 240**

In 2019, net sales of finished goods and services, and goods for resale and raw materials, by geographical area, were as follows:

Segment	Construction business	Development activities and property management	Service activities	Exclusions	Consolidated financial data
Poland	6 743 996	557 811	278 239	(418 407)	**7 161 639**
Germany	225 029	-	41	-	**225 070**
Other EU countries	174 642	-	1	-	**174 643**
Other countries*	8 311	-	-	-	**8 311**
Total sales of finished goods, goods for resale and raw materials	**7 151 978**	**557 811**	**278 281**	**(418 407)**	**7 569 663**

**other countries are Norway and USA*

The geographical breakdown of sales revenue corresponds to customer location and is in line with the Group's internal organizational structure.

29.1.3 Sales of the Construction business segment, by type of construction works

Net sales of finished goods and services, and goods for resale and raw materials of the "Construction business" as the most significant Budimex Group operating segment were additionally analysed by type of construction works/ constructed objects. Data for the years 2020 and 2019 are as follows:

Type of construction works	Sales revenue for the 12-month period ended:	
	31 December 2020	**31 December 2019**
Land-engineering	3 347 113	3 091 858
Railway	1 577 460	1 190 217
Cubic objects, of which:	2 614 831	2 869 903
- non-housing	*2 054 678*	*2 215 176*
- housing	*560 153*	*654 727*
Sales of finished goods, goods for resale and raw materials – Construction business segment	**7 539 404**	**7 151 978**

29.2 Assets and liabilities arising from contracts with customers

Deadline to satisfy contract performance obligations vs applied payment deadlines

Construction contracts are settled with investors in the following manner:

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

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

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

As regards revenues realised by development companies, customers make payments towards constructed housing apartments in accordance with payment schedules included in each preliminary agreement. The final settlement with customer is made prior to signing a notarial deed, at which time sales revenue is recognised.

Revenue from waste management contracts is recognized at the end of the settlement period, based on a monthly weight report of acceptance for municipal waste treatment installation, or based on a waste transfer card.

During 2020 and 2019, no revenues from contracts with customers occurred that were recognised in the given financial year, for which the performance obligation to deliver a good or service was satisfied in the prior financial year.

During 2020 and 2019, no revenue adjustments were recognised that could have impact on the assets or liabilities arising from contracts with customers, and which would result from a change in contract progress measurement or contract change.

	31 Dec 2019	Change in contracts valuation	Revenue recognised in 2020 and included in contract liabilities balance as at 31 Dec 2019	Change of the period, in which right to contract consideration becomes unconditional	Received advance payments for flats	Other	31 Dec 2020
Receivables from service concession arrangements	46 921	-	-	-	-	(152)	46 769
Valuation of construction contracts	444 008	594 315	-	(444 008)	-	-	594 315
Assets from contracts with customers	**490 929**	**594 315**	**-**	**(444 008)**	**-**	**(152)**	**641 084**
Deferred income – advance payments for flats at development companies	757 307	-	(318 374)	-	625 931	-	1 064 864
Valuation of construction contracts	951 448	942 024	(591 308)	-	-	-	1 302 164
Liabilities from contracts with customers	**1 708 755**	**942 024**	**(909 682)**	**-**	**625 931**	**-**	**2 367 028**

	31 Dec 2018	Change in contracts valuation	Revenue recognised in 2019 and included in contract liabilities balance as at 31 Dec 2018	Change of the period, in which right to contract consideration becomes unconditional	Received advance payments for flats	Other	31 Dec 2019
Receivables from service concession arrangement	46 416	-	-	-	-	505	46 921
Valuation of construction contracts	561 537	444 008	-	(561 537)	-	-	444 008
Assets from contracts with customers	**607 953**	**444 008**	**-**	**(561 537)**	**-**	**505**	**490 929**
Deferred income – advance payments for flats at development companies	614 828	-	(463 255)	-	605 734	-	757 307
Valuation of construction contracts	575 183	641 705	(265 440)	-	-	-	951 448
Liabilities from contracts with customers	**1 190 011**	**641 705**	**(728 695)**	**-**	**605 734**	**-**	**1 708 755**

29.3 Outstanding performance obligations under contracts with customers

	31 December 2020	31 December 2019
Total transaction price allocated to construction contract performance obligation (to deliver goods or services) outstanding at year-end, to be realized in:		
- less than 1 year	*8 190 856*	*6 337 132*
- over 1 year	*6 813 300*	*4 134 465*
Total	**15 004 156**	**10 471 597**

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

30. Costs by type

	2020	2019
Depreciation/ amortization of which:	137 524	105 679
– property, plant and equipment (note 9)	*120 371*	*94 216*
– investment property (note 10)	*194*	*886*
– intangible assets (note 11)	*16 959*	*10 577*
Employee benefits (note 31)	1 235 325	1 024 973
Materials and energy	1 653 546	1 963 371
External services	4 039 138	3 980 219
Taxes and charges	66 058	37 991
Advertising and representation	10 296	10 342
Non-life (property) and life insurance	19 223	21 378
Change in the balance of provision for losses on construction contracts (note 26)	69 764	82 642
Other costs by type	768 055	243 423
Selling expenses (negative value)	(31 273)	(30 478)
Administrative expenses (negative value)	(276 966)	(198 992)
Change in the balance of finished goods and work in progress	(267 810)	(240 496)
Cost of goods produced for the entity’s own needs (negative value)	-	-
Cost of finished goods and services sold	**7 422 880**	**7 000 052**
Cost of goods for resale and raw materials sold	22 327	18 059
Cost of finished goods, services, goods for resale and raw materials sold	**7 445 207**	**7 018 111**

31. Cost of employee benefits

	2020	2019
Cost of salaries and wages, of which:	**1 034 824**	**848 380**
– retirement and pension benefits (note 24)	*2 562*	*2 418*
– share-based payments (note 38)	*1 482*	*2 857*
– termination benefits	*3 979*	*5 108*
Cost of social security surcharges and other allowances, of which:	**200 501**	**176 593**
– social security	*155 537*	*140 656*
– termination benefits	-	*622*
Total cost of employee benefits recognised in the costs by type (note 30)	**1 235 325**	**1 024 973**

32. Other operating income and other operating expenses

Other operating income

	2020	2019
Gains on the sale of non-financial long-term assets	3 229	23 886
Reversal of impairment write-downs, of which against:	21 263	8 378
– receivables (note 16)	*13 526*	*8 191*
– inventories (note 17)	*7 737*	-
– property, plant and equipment (note 9)	-	*187*
Reversal of provisions, of which for:	43 915	15 310
– litigation and compensations (note 25)	*886*	*411*
– penalties and sanctions (note 25)	*41 029*	*14 899*
– other (note 25)	*2 000*	-
Compensations awarded	63 103	38 463
Subsidies	135	539
Statute-barred liabilities written-off	3 198	7 445
Gains on derivative financial instruments (note 14.2)	1 914	4 215
Other	1 980	1 217
Total	**138 737**	**99 453**

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

Other operating expenses

	2020	2019
Recognition of impairment write-downs, of which against:	34 891	13 899
– receivables (note 16)	*26 271*	*12 350*
– inventories (note 17)	*8 620*	*1 549*
Creation of provisions, of which for:	76 542	72 204
– litigation (note 25)	*10 309*	*417*
– penalties and sanctions (note 25)	*63 104*	*71 787*
– other (note 25)	*3 129*	*-*
Compensations and liquidated damages paid	10 723	9 107
Court charges and executions, costs of legal proceedings	1 587	2 299
Loss on derivative financial instruments (note 14.2)	-	3 774
Donations given	4 761	883
Other	455	975
Total	**128 959**	**103 141**

33. Finance income and finance costs

Finance income

	2020	2019
Interest earned on financial instruments, of which:	8 242	10 956
– on bank deposits and cash at bank	*7 040*	*8 662*
– on loans granted (note 14.1)	*2*	*2 161*
– on bonds issued by banks (note 14.4)	*1 200*	*133*
Other interest income, of which:	19 501	7 566
– interest on discount received and penalty interest	*19 395*	*7 408*
– other	*106*	*158*
Dividends and shares in profits	-	3
Receivables from service concession arrangements (note 15)	2 877	2 870
Gains on evaluation of interest in associate company	-	34 757
Reversal of write-downs against loans granted (note 14.1)	-	525
Reversal of provisions for penalties and sanctions (note 25)	3 781	3 296
Foreign exchange gains	-	150
Other	307	4
Total	**34 708**	**60 127**

Finance costs

	2020	2019
Interest expense in respect of financial instruments, of which:	9 717	10 859
– interest on borrowings and loans taken out and on other external sources of finance	*1 998*	*1 746*
– interest on lease contracts	*7 719*	*9 113*
Other interest expense, of which:	3 535	3 240
– penalty interest paid to suppliers and interest on discounts	*2 905*	*997*
– other interest	*630*	*2 243*
Impairment of shares in non-consolidated entities (note 14.3)	1 119	-
Discount on retentions for construction contracts (note 28)	6 669	6 886
Cost of bank commissions and guarantees	27 050	23 681
Loss on derivative financial instruments (note 14.2)	1 684	1 426
Loss on the sale of investments in equity instruments (note 14.3)	-	324
Foreign exchange losses	821	-
Other	790	4 533
Total	**51 385**	**50 949**

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

34. Earnings/ (loss) per share

Basic earnings/ (loss) per share

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

	2020	2019
Earnings / (loss) attributable to the shareholders of the Parent Company	459 465	226 014
Weighted average number of ordinary shares	25 530 098	25 530 098
Basic earnings / (loss) per share (in PLN per share)	**18.00**	**8.85**

Diluted earnings/ (loss) per share

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

35. Dividend per share

On 14 July 2020, Budimex SA paid out a dividend in the amount of PLN 116 417 thousand i.e. the gross amount of PLN 4.56 per share, for which part of separate net profit for the period from 1 January 2019 to 31 December 2019 was appropriated. The remaining amount of separate 2019 net profit of PLN 116 306 thousand was appropriated to an increase in reserve capital for the purpose of payment of dividend or payment by the Management Board of advances against the expected dividend.

On 15 March 2021 the Management Board of Budimex SA adopted a resolution on the recommendation of profit distribution for 2020. It was decided to allocate part of the net profit for the period from 1 January 2020 to 31 December 2020 in the amount of PLN 310 047 thousand plus PLN 116 306 thousand, i.e. the entire reserve capital created in 2020 to pay dividends or advance payments towards the expected dividend. It is proposed to allocate the remaining part of the net profit for the period from 1 January 2020 to 31 December 2020 in the amount of PLN 495 thousand to reserve capital.

Until the date of the preparation of these consolidated financial statements for the year ended 31 December 2020, the Management Board of Budimex SA did not adopt a resolution on recommended appropriation of profit for 2020.

36. Statement of Cash Flows

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

	2020	2019
Cumulative translation differences	(527)	53
Other	364	(199)
Total	**(163)**	**(146)**

Non-monetary transactions

In 2020, non-monetary transactions concerning all types of activities (operating, investing and financing activities) that were *not* presented in the statement of cash flows related to increases in non-current and current assets due to the acceptance for a lease-based use of assets a value of PLN 117 991 thousand (PLN 116 857 thousand – property, plant and equipment and PLN 1 134 thousand – inventories).

In 2019, non-monetary transactions concerning all types of activities (operating, investing and financing activities) that were *not* presented in the statement of cash flows related to the increase in property, plant and equipment due to first-time application of IFRS 16 with a value of PLN 131 999 thousand (PLN 37 419 thousand – property, plant and equipment, PLN 10 199 thousand – investment property, PLN and PLN 84 381 thousand – inventory) and due to the acceptance for a lease-based use of assets - PLN 107 042 thousand (PLN 101 285 thousand – property, plant and equipment and PLN 5 757 thousand – inventories).

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

37. Liabilities secured on the Group's assets

The following assets were pledged as collaterals/ securities for bank loans and guarantees:

	31 December 2020		31 December 2019	
	Assets pledged as security/ collateral	**Security/ collateral contractual value**	**Assets pledged as security/ collateral**	**Security/ collateral contractual value**
Property, plant and equipment	18 688	147 763	13 925	104 030
Shares in subsidiary companies*	25 726	50 000	25 726	50 000
Inventories (note 17)	378 670	302 851	235 165	288 791
Cash and cash equivalents (note 18)	1 052**	1 052**	1 455**	1 455**
Total	**424 136**	**501 666**	**276 271**	**444 276**

**pledge on the shares in one of the subsidiary companies, which are subject to consolidation exclusions*
***as at 31 December 2020 and 31 December 2019, the collaterals established on cash and cash equivalents equate the amount of 2 nearest principal-interest instalments of the investment loan repaid by Budimex Parking Wrocław Sp. z o.o.*

38. Share-based payments

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

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

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

As at 31 December 2020 and as at 31 December 2019, the total fair value of services recorded under other reserves was PLN 7 171 thousand. As at 31 December 2020, the total fair value of services recorded under liabilities amounted to PLN 16 752 thousand, while as at 31 December 2019 – PLN 15 270 thousand.

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

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

Year	Number of initially granted shares	Grant date	Fair value of 1 share at grant date	Financial covenants realization	Cost of shares granted
2020	26 500	14-02-2020	126,65	100%	1 482
2019	38 050	15-02-2019	85,71	100%	2 857

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

The cost of the shares granted in 2019 was calculated as 2/36th of the cost of shares granted in 2016, 12/36th of the cost of shares granted in 2017, 12/36th of the cost of shares granted in 2018 and 10/36th of the cost of shares granted in 2019.

The three-year vesting period for the shares granted in 2017 ended in February 2020. As the conditions of the incentive program were satisfied, 33 772 shares in Ferrovial SA were formally handed over to the employees entitled to obtain shares from this tranche. The number of the actually transferred shares differs from the originally allocated amount due to subsequent employee-rotation related adjustments and a lower than assumed ratio of achieving specific financial results by Ferrovial SA.

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

39. Related party transactions

Transactions with related parties made in 2020 and 2019 and the resultant unsettled balances of receivables and liabilities as at 31 December 2020 and 31 December 2019 are presented below.

	Receivables		Liabilities	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Parent and its related parties (the Ferrovial Group)	1 864	2 493	25 734	22 781
Jointly controlled entities	2 657	5 097	777	840
Associates	105	108	28	48
Other related entities – non-consolidated subsidiaries*	62	95	-	-
Other related entities – other*	11 005	4	-	-
Other related entities – through key personnel*	2	-	1 164	4 519
Total settlements with related parties	**15 695**	**7 797**	**27 703**	**28 188**

	Revenue from sale of finished goods and services and other operating income		Purchase of finished goods and services	
	2020	**2019**	**2020**	**2019**
Parent and its related parties (the Ferrovial Group)	-	-	31 043	2 577
Jointly controlled entities	7 154	16 229	44	(10)
Associates	23	3 395	1 295	1 803
Other related entities – non-consolidated subsidiaries*	194	178	-	-
Other related entities – other*	11	-	-	-
Other related entities – through key personnel*	2 539	2 181	211	166
Total settlements with related parties	**9 921**	**21 983**	**32 593**	**4 536**

	Loans granted / (taken out); debt securities acquired / (issued)		Finance income / (costs)	
	31 December 2020	**31 December 2019**	**2020**	**2019**
Parent and its related parties (the Ferrovial Group)	-	-	-	(12)
Jointly controlled entities	-	-	-	-
Associates	-	-	-	2 103
Other related entities – non-consolidated subsidiaries*	-	-	2	-
Other related entities – other*	-	-	-	-
Other related entities – through key personnel*	-	-	-	-
Total settlements with related parties	**-**	**-**	**2**	**2 091**

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

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

Transactions with related companies are made on an arms' length basis.

<u>Sales revenue/ purchase of finished goods and services</u>

Revenue from the sale of goods and services includes mainly revenue from construction contracts carried out in consortia with the Ferrovial Group companies. Costs, in turn, relate to the purchase of services under the agreements listed below.

In 2010, Budimex SA signed two agreements with Ferrovial Agroman SA under which Ferrovial renders to Budimex SA services relating to IT maintenance and development, and staff secondment. The costs of these agreements incurred by Budimex SA in 2020 were PLN 6 688 thousand and PLN 1 510 thousand, respectively, while in 2019: PLN 6 578 thousand and PLN 4 215 thousand, respectively.

On 24 September 2019, Budimex SA concluded with Ferrovial Agroman SA a new license agreement with effect from 1 January 2018. Under this new agreement, Ferrovial Agroman SA granted to Budimex SA a license for industrial intangible assets that support the main business of Budimex SA in the area of all construction works and infrastructure management. As a result of prior years' settlement, Ferrovial Agroman SA returned to Budimex SA the amount of PLN 29 382 thousand, whilst charging Budimex SA with the amount of PLN 22 246 thousand for 2019. In 2020, in connection with the execution of these agreements Budimex SA incurred costs of PLN 23 412 thousand.

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

39.1 Emoluments of key members of management

Management Board

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

In 2019 the total value of remuneration, bonuses and awards for the members of the Management Board of Budimex SA amounted to PLN 10 583 thousand (of which, PLN 3 397 thousand represented performance bonus for completing the tasks scheduled for 2018), of which PLN 9 368 thousand was recognised as costs of Budimex SA. The remaining balance was recognised as costs of its subsidiaries.

In addition, during the 12-month period ended 31 December 2020, the estimated costs of share-based payments in connection with Ferrovial SA's incentive programs related to the Company's Management Board amounted to PLN 1 651 thousand. In 2019, the costs of share-based payments amounted to PLN 1 743 thousand, of which PLN 1 577 thousand was charged to Budimex SA, and the difference was covered by the subsidiary companies.

Remuneration for 2020

Company's Management Board	Remuneration charged to Budimex SA	Remuneration charged to subsidiaries or the Ferrovial Group	2019 performance bonus	Non-competition clause	Share-based payments under the Ferrovial SA's incentive schemes	Total
Dariusz Blocher	1 117	693	1 370	-	873	**4 053**
Artur Popko	1 767	-	956	-	277	**3 000**
Marcin Węgłowski	883	-	438	-	167	**1 488**
Jacek Daniewski	838	-	435	-	167	**1 440**
Cezary Mączka	829	-	425	-	167	**1 421**
former Board Members:						
Henryk Urbański	-	786	487	599	-	**1 872**
Radosław Górski	-	-	-	137	-	**137**
TOTAL	**5 434**	**1 479**	**4 111**	**736**	**1 651**	**13 411**

The share-based payments comprise: 2/36th of the cost of shares granted in 2017, 12/36th of the cost of shares granted in 2018, 12/36th of the cost of shares granted in 2019 and 10/36th of the cost of shares granted in 2020.

The three-year vesting period for the shares granted in 2017 ended in March 2020. As the conditions of the incentive program were satisfied, the shares in Ferrovial SA have been formally transferred. The number of shares actually transferred to the members of the Company's Management Board was as follows:

Dariusz Blocher	9 670 shares
Artur Popko	2 495 shares
Marcin Węgłowski	1 871 shares
Jacek Daniewski	1 871 shares
Cezary Mączka	1 871 shares

The market price of one share of Ferrovial SA at the actual transfer date was PLN 100.67.

Proxies

The total value of remuneration paid to proxies of Budimex SA in 2020 was PLN 903 thousand, while in 2019 - PLN 808 thousand.

Individual remuneration of proxies in 2020 was as follows:
Piotr Świecki PLN 903 thousand.

Additionally, apart from the amounts presented above, in the 12-month period ended 31 December 2020, the estimated cost of share-based payment under Ferrovial SA's incentive programs allocated to the Company's proxy, Piotr Świecki, amounted to PLN 124 thousand.

Due to satisfying the incentive program conditions after the expiry of the three-year vesting period for the shares granted in 2017, Ferrovial SA formally transferred 1 426 shares to the proxy of Budimex SA, Piotr Świecki. The market price of one share of Ferrovial SA at the actual transfer date was PLN 100.67.

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

Supervisory Board

The total value of remuneration paid in 2020 to the members of Supervisory Board of Budimex SA amounted to PLN 1 693 thousand (PLN 1 569 thousand in 2019).

In 2020, remuneration of Supervisory Board members of Budimex SA was as follows:

Marek Michałowski	PLN 244 thousand	
Igor Chalupec	PLN 169 thousand	
Juan Ignacio Gastón Najarro	PLN 154 thousand	
Javier Galindo Hernandez	PLN 167 thousand	
Jose Carlos Garrido-Lestache Rodriguez	PLN 141 thousand	
Marzenna Anna Weresa	PLN 71 thousand	(until 18 June 2020)
Artur Kucharski	PLN 75 thousand	(from 18 June 2020)
Fernando Luis Pascual Larragoiti	PLN 154 thousand	
Janusz Dedo	PLN 167 thousand	
Danuta Dąbrowska	PLN 195 thousand	
Agnieszka Słomka-Gołębiewska	PLN 156 thousand	

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

As at 31 December 2020 and 31 December 2019, members of the Management or Supervisory Boards of the Parent Company, their spouses, close and second-degree relatives, adopted persons and adoptive parents, and other persons who are related to them in person did not have any unpaid loans or borrowings or guarantees issued by Budimex SA or its subsidiaries, jointly controlled entities or associates.

As at 31 December 2020 and 31 December 2019, members of the Management or Supervisory Boards of the subsidiary companies of the Group did not have any unpaid loans or borrowings or guarantees issued by those companies and were not parties to any agreements obligating them to provide services to Group companies.

40. Leases

a) The characteristics of lease contracts concluded by the Company was described in note 21.

b) The cost of depreciation of right-of-use assets was disclosed in note 9 (right of use assets under property, plant and equipment) and in note 10 (right of use assets under investment property).

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

d) The cost of short-term leases recognized in accordance with IFRS 16.6 amounted in 2020 to PLN 223 859 thousand and in 2019 to PLN 281 840 thousand.

e) The cost related to lease of low-value assets recognized in accordance with IFRS 16.6 amounted in 2020 to PLN 69 772 thousand and in 2019 to PLN 87 659 thousand.

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

g) The total outflow of cash in connection with lease amounted to PLN 383 313 thousand in 2020 (including: PLN 81 963 thousand - the principal part of instalments; PLN 7 719 thousand - the interest portion of instalments; PLN 293 631 thousand - payments from short-term leases and low-value assets included in cash flows from operating activities). The corresponding amounts in 2019 were: PLN 452 574 thousand (of which: PLN 73 962 thousand - the principal part of instalments; PLN 9 113 thousand - the interest part of instalments; PLN 369 499 thousand - payments for short-term leases and low-value assets included in cash flows from operating activities).

h) The Group made one sale and leaseback transaction in 2020 for the amount of PLN 192 thousand. This transaction did not have any impact on cash flows.

i) The carrying amount of right-of-use assets as at 31 December 2020 and 31 December 2019 analysed by class of the underlying assets and increases in the right-of-use assets was disclosed in note 9, note 10 and in note 17.

j) The portfolio of short-term leases to which the Group is obligated as at 31 December 2020 does not differ materially from the portfolio of short-term leases, to which the cost of short-term leases referred to in point d) refers. Therefore, the Group estimates that the value of future payments, to which it is obligated under short-term leases recognised in accordance with IFRS 16.6 should not materially differ from that for 2020, on the assumption of retaining the same scale and structure of operations.

k) Lease instalments paid by the Group are partially calculated based on variable interest rate (WIBOR/ EURIBOR, as appropriate). The analysis of sensitivity to interest rate fluctuations was disclosed in note 3.

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

41. Capital expenditure incurred and planned

Capital expenditure (for non-financial long-term assets), including fixed assets accepted for use under lease contracts, incurred in 2020 amounted to PLN 193 625 thousand. In 2019, capital expenditure amounted to PLN 158 334 thousand.

Capital expenditure planned to be incurred in 2021 for non-financial long-term assets amounts to approx. PLN 132 000 thousand.

In 2020 and In 2019, Group companies did not incur any environmental protection expenditure and have no plans to incur any such expenditure in the 12-month period after the reporting date.

42. (Off-balance sheet) investment expenditure

As at 31 December 2020, the Group's committed investment expenditure amounted to PLN 92 108 thousand (PLN 89 108 thousand related to the purchase and lease of equipment and the purchase of plots of land for development projects, and PLN 3 000 thousand related to a cash contribution to the share capital of a newly established limited joint-stock partnership under the name ASI 1 ConVentures Sp. z o.o. SKA). The share capital of the newly established company was not paid up as at 31 December 2020.

As at 31 December 2019, the committed investment expenditure amounted to PLN 6 912 thousand and related to the purchase of road and rail equipment.

43. Events after the reporting date

Sale of Budimex Nieruchomości Sp. z o.o.

On 22 February 2021, Budimex SA concluded a conditional agreement for the sale of all shares in the subsidiary company, Budimex Nieruchomości sp. z o.o., with the buyer, CP Developer S.a.r.l. The subject of the sale are 1 314 666 shares with a nominal value of PLN 500 each, representing 100% of the issued capital of Budimex Nieruchomości Sp. z o.o., entitling to 100% of votes at the company's Shareholders' Meeting. The book value of the Shares in the Budimex's books of account is PLN 717 519 thousand and the net asset value of Budimex Nieruchomości Sp. z o.o. in the consolidated financial statements of the Budimex Group as at 31 December 2020, amounted to PLN 844 545 thousand (excluding consolidation adjustments). From the perspective of the consolidated financial statements of the Budimex Group, this means the sale of the entire segment "development activities (business) and property management". Therefore, in the opinion of Budimex SA, from the date of concluding this conditional sale agreement, the Group will start presenting the entire segment and the data of Budimex Nieruchomości Sp. z o.o. as a discontinued operation (disposal group) in the consolidated financial statements in accordance with the principles of IFRS 5, as it considered that this was the moment when all conditions for such classification were met.

The agreement transferring the ownership of the shares will be concluded after obtaining by the buyer of the consent for the concentration by way of Shares acquisition (condition precedent) from the President of the Office of Competition and Consumer Protection. Pursuant to the provisions of the conditional sale agreement, the condition precedent should be fulfilled within 6 months from the date of said conditional agreement. More details of the planned transaction are described in the current report No. 13/2021, posted on the website of Budimex SA.

On 15 March 2021 the Management Board of Budimex SA issued a recommendation to distribute the result for 2020. Details are described in note 35.

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

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

44. Contingent assets and contingent liabilities

	31 December 2020	31 December 2019
Contingent assets		
From other entities		
– guarantees and sureties received	615 095	571 994
– bills of exchange received as security	11 237	5 079
From other entities, total	**626 332**	**577 073**
Total contingent assets	**626 332**	**577 073**
Contingent liabilities		
To other entities		
– guarantees and sureties issued	4 333 352	3 904 245
– promissory notes issued as security	12 797	117 293
To other entities, total	**4 346 149**	**4 021 538**
Other contingent liabilities	**181**	**167**
Total contingent liabilities	**4 346 330**	**4 021 705**
Total contingent items	**(3 719 998)**	**(3 444 632)**

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

Contingent liabilities arising from issued guarantees and sureties comprise mainly guarantees issued by banks in favour of Group companies' business partners to secure their claims against the Group companies that may arise on the grounds of executed construction contracts. The banks are entitled to recourse claims against Group companies under these guarantees. Guarantees issued to the customers of the Group represent an alternative, to the retentions held, method of securing potential investor claims relating to construction contracts. At the same time, the risk relating to warranty repairs assessed by the Management Board of the Group as probable was appropriately reflected in the warranty repair provision, as described in note 5.1 and note 25 to these consolidated financial statements.

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

In addition, the Group has contingent liabilities resulting from the collaterals established on its assets, as described in note 0.

45. Employment structure

Employee group	Number of employees as at 31 December	
	2020	2019
Blue collar employees	3 153	3 426
White collar employees	4 120	4 052
Total	**7 273**	**7 478**

46. Significant events with an impact on the Group's financial position

COVID-19 pandemic

The state of the epidemic introduced in Poland on 20 March 2020 had some impact on the operations of the Group. The estimated impact on the operating result is approximately minus PLN 33 million and is mainly due to the costs related to the extension of the duration of a couple of construction contracts, as well as the costs of purchase of personal protective equipment (PPE) and employee testing.

The risk related to the spread of the coronavirus was also reflected in the change in the rules of work organization by, among others, temporary introduction of remote work, providing disinfectants and personal protective equipment (PPE) for employees, or the work space reorganization to ensure that the working conditions are in line with the recommendations of the Chief Sanitary Inspector (GIS). Currently, contracts are realised without major disruptions, and no significant problems are observed on the part of suppliers or subcontractors. Cooperation with the contracting parties is effective and adapted to the current circumstances, and payments for completed works are settled on time.

In 2020, the Group provided almost PLN 3 million in the form of donations and grants to combat the effects of the coronavirus pandemic. These funds were transferred mainly to hospitals, nursing homes and medical facilities treating COVID-19 patients.

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

Some of these funds were transferred to non-profit organizations involved in supporting local communities in preventing the spread of the pandemic.

Until the date of preparation of the consolidated financial statements the situation related to the coronavirus epidemic did not change significantly compared to 31 December 2020.

Settlement between the State Treasury and Autostrada Południe

In January 2010, the Management Board of Budimex SA learnt that the condition determining the construction and operation of the A1 Stryków-Pyrzowice highway in the concession system in accordance with the agreement signed in 2009 between Autostrada Południe SA and the State Treasury did not materialise. As a result of the above, Phase II (referring to construction work) of the agreement between Budimex SA Ferrovial Agroman SA Sp. j. (currently Budimex SA Ferrovial Construccion sp.j.) and Autostrada Południe SA for the design and construction of a section of the A1 highway between Stryków and Pyrzowice did not come into effect. Phase I included design works worth PLN 180 000 thousand, which began in 2009.

In March 2010, Budimex SA came to know that the project design documentation prepared by Spółka Jawna on behalf of Autostrada Południe SA had not been accepted by the Ministry of Infrastructure. Therefore, there was a risk that the full amount of contract costs incurred by that company (in which Budimex SA holds 50% of shares) will not be recovered from Autostrada Południe SA. In 2011, Autostrada Południe SA instituted a claim against the State Treasury calling for payment of PLN 176 855 thousand regarding design works performed by Spółka Jawna. After many years of the judicial process, the State Treasury has proposed to Autostrada Południe SA to take conciliation talks, which ended on 31 August 2020 by signing the settlement which led the State Treasury to partially compensate for the costs incurred by Autostrada Południe SA. With the conclusion of the settlement, all the mutual claims of both parties have expired.

The signing of the settlement allowed conclusion of the agreement between Autostrada Południe SA and Spółka Jawna, by which final settlement of claims between these entities has been made. As a result of the end of the disputes, Budimex SA recorded slight positive effect on its financial result in 2020.

Warsaw, 22 March 2021

Dariusz Blocher President of the Management Board	
Artur Popko Vice-president of the Management Board	
Jacek Daniewski Member of the Management Board	
Cezary Mączka Member of the Management Board	
Marcin Węgłowski Member of the Management Board	
Grzegorz Fąfara Chief Accountant	