



THE BUDIMEX GROUP

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for III quarters of 2021

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

The BUDIMEX Group

The condensed consolidated financial statements for III quarters of 2021 prepared in accordance with International Financial Reporting Standards



(all amounts are expressed in PLN thousand)

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Consolidated statement of financial position

ASSETS	30 September 2021 <i>not audited</i>	31 December 2020 <i>audited</i>
Non-current (long-term) assets		
Property, plant and equipment	544 536	548 812
Investment properties	-	9 876
Intangible assets	151 768	162 030
Goodwill of subordinated entities	168 508	168 508
Investments in equity accounted entities	2 299	2 221
Investments in equity instruments	8 170	6 922
Retentions for construction contracts	84 989	40 843
Trade and other receivables	29 419	28 550
Receivables from service concession agreement	46 638	46 654
Other financial assets	4	-
Deferred tax assets	572 332	521 851
Total non-current (long-term) assets	1 608 663	1 536 267
Current (short-term) assets		
Inventories	425 496	1 998 255
Trade and other receivables	1 062 683	918 039
Retentions for construction contracts	99 821	28 770
Valuation of construction contracts	875 500	594 315
Current tax assets	435	338
Other financial assets	1 021	1 858
Cash and cash equivalents	2 996 185	2 384 398
Total current (short-term) assets	5 461 141	5 925 973
TOTAL ASSETS	7 069 804	7 462 240

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Consolidated statement of financial position (cont.)

EQUITY AND LIABILITIES	30 September 2021 <i>not audited</i>	31 December 2020 <i>audited</i>
Equity		
Issued capital	145 848	145 848
Share premium	87 163	87 163
Other reserves	(139)	(139)
Cumulative translation differences	3 111	6 473
Retained earnings	925 548	910 006
Shareholders' equity attributable to the shareholders of the Parent	1 161 531	1 149 351
Equity attributable to non-controlling interests	38 059	37 920
Total equity	1 199 590	1 187 271
Liabilities		
Non-current (long-term) liabilities		
Loans, borrowings and other external sources of finance	166 682	261 663
Retentions for construction contracts	233 946	240 263
Provision for long-term liabilities and other charges	563 157	593 398
Retirement benefits and similar obligations	17 620	18 505
Other financial liabilities	20 252	21 264
Deferred tax liabilities	703	4 642
Total non-current (long-term) liabilities	1 002 360	1 139 735
Current (short-term) liabilities		
Loans, borrowings and other external sources of finance	87 069	189 067
Trade and other payables	2 050 626	1 371 850
Retentions for construction contracts	200 929	216 458
Provisions for losses on construction contracts	560 484	310 441
Valuation of construction contracts	1 274 921	1 302 164
Deferred income	255 805	1 469 626
Provision for short-term liabilities and other charges	284 277	227 111
Current tax liability	149 218	44 815
Retirement benefits and similar obligations	1 611	1 623
Other financial liabilities	2 914	2 079
Total current (short-term) liabilities	4 867 854	5 135 234
Total liabilities	5 870 214	6 274 969
TOTAL EQUITY AND LIABILITIES	7 069 804	7 462 240

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Consolidated income statement

	Note	9-month period ended 30 September		3-month period ended 30 September	
		2021 <i>not audited</i>	2020 <i>restated</i>	2021 <i>not audited</i>	2020 <i>restated</i>
Continuing operations					
Net sales of finished goods, goods for resale, raw materials and services	4, 9	5 533 832	5 616 598	2 292 740	2 156 433
Cost of finished goods, goods for resale, raw materials and services sold		(4 944 776)	(5 165 044)	(2 079 329)	(1 958 005)
Gross profit on sales		589 056	451 554	213 411	198 428
Selling expenses	4	(7 790)	(7 567)	(2 704)	(2 249)
Administrative expenses	4	(182 316)	(158 641)	(62 306)	(48 080)
Other operating income	5	61 486	80 667	17 579	29 680
Other operating expenses	5	(44 060)	(113 265)	(25 994)	(24 718)
Operating profit		416 376	252 748	139 986	153 061
Finance income	6	7 644	12 254	2 373	(3 618)
Finance costs	6	(34 879)	(35 303)	(12 749)	(10 855)
Share in net profits of equity accounted subordinates		96	73	29	31
Gross profit		389 237	229 772	129 639	138 619
Income tax	7	(76 310)	(62 722)	(25 156)	(36 391)
Net profit from continuing operations		312 927	167 050	104 483	102 228
Discontinued operations					
Net profit from discontinued operations	1.3.1	520 508	97 610	-	47 941
Net profit for the period		833 435	264 660	104 483	150 169
<i>of which:</i>					
Attributable to the shareholders of the Parent, of which:					
<i>from continuing operations</i>		<i>301 784</i>	<i>159 451</i>	<i>101 087</i>	<i>98 546</i>
<i>from discontinued operations</i>		<i>520 508</i>	<i>97 610</i>	-	<i>47 941</i>
Attributable to non-controlling interests, of which:					
<i>from continuing operations</i>		<i>11 143</i>	<i>7 599</i>	<i>3 396</i>	<i>3 682</i>
<i>from discontinued operations</i>		-	-	-	-
<hr/>					
<i>Basic and diluted earnings per share attributable to the shareholders of the Parent (in PLN), of which:</i>					
<i>from continuing operations</i>		<i>32.21</i>	<i>10.07</i>	<i>3.96</i>	<i>5.74</i>
<i>from discontinued operations</i>		<i>20.39</i>	<i>3.82</i>	-	<i>1.88</i>

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(all amounts are expressed in PLN thousand)

Consolidated statement of comprehensive income

	9-month period ended 30 September		3-month period ended 30 September	
	2021	2020	2021	2020
		<i>restated</i>		<i>restated</i>
	<i>not audited</i>		<i>not audited</i>	
Net profit for the period	833 435	264 660	104 483	150 169
Other comprehensive income which:				
<i>Items to be reclassified to profit or loss upon satisfaction of certain conditions:</i>				
Cumulative translation differences	(3 362)	166	(329)	(209)
Income tax related to components of other comprehensive income	-	-	-	-
<i>Items not to be subsequently reclassified to profit or loss:</i>				
Actuarial gains/(losses)	-	-	-	-
Income tax related to components of other comprehensive income	-	-	-	-
Other comprehensive income	(3 362)	166	(329)	(209)
Total comprehensive income for the period, of which	830 073	264 826	104 154	149 960
Total comprehensive incomes from continuing operations for the period	309 565	167 216	104 154	102 019
Total comprehensive incomes from discontinued operations for the period	520 508	97 610	-	47 941
<i>of which:</i>				
Attributable to the shareholders of the Parent, of which	818 930	257 227	100 758	146 278
<i>from continuing operations</i>	298 422	159 617	100 758	98 337
<i>from discontinued operations</i>	520 508	97 610	-	47 941
Attributable to non-controlling interests, of which	11 143	7 599	3 396	3 682
<i>from continuing operations</i>	11 143	7 599	3 396	3 682
<i>from discontinued operations</i>	-	-	-	-

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Consolidated statement of changes in equity

	Equity attributable to the shareholders of the Parent						Total	Non-controlling interests	Total equity
	Issued capital	Share premium	Other reserves		Cumulative translation differences	Retained earnings			
			Share-based payments	Actuarial gains/(losses)					
Balance as at 1 January 2021 <i>audited</i>	145 848	87 163	7 171	(7 310)	6 473	910 006	1 149 351	37 920	1 187 271
Profit for the period	-	-	-	-	-	822 292	822 292	11 143	833 435
Other comprehensive income	-	-	-	-	(3 362)	-	(3 362)	-	(3 362)
Total comprehensive income	-	-	-	-	(3 362)	822 292	818 930	11 143	830 073
Payment of dividend by Budimex SA	-	-	-	-	-	(426 352)	(426 352)	-	(426 352)
Payment of dividend to non-controlling shareholders	-	-	-	-	-	-	-	(11 004)	(11 004)
Interim dividend for 2021	-	-	-	-	-	(380 398)	(380 398)	-	(380 398)
Balance as at 30 September 2021 <i>not audited</i>	145 848	87 163	7 171	(7 310)	3 111	925 548	1 161 531	38 059	1 199 590

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Consolidated statement of changes in equity (cont.)

	Equity attributable to the shareholders of the Parent Company						Non-controlling interests	Total equity	
	Issued capital	Share premium	Other reserves		Cumulative translation differences	Retained earnings			Total
			Share-based payments	Actuarial gains/(losses)					
Balance as at 1 January 2020 <i>audited</i>	145 848	87 163	7 171	(5 991)	7 000	566 958	808 149	28 491	836 640
Profit for the period	-	-	-	-	-	257 061	257 061	7 599	264 660
Other comprehensive income	-	-	-	-	166	-	166	-	166
Total comprehensive income	-	-	-	-	166	257 061	257 227	7 599	264 826
Payment of dividend by Budimex SA	-	-	-	-	-	(116 417)	(116 417)	-	(116 417)
Payment of dividend to non-controlling shareholders	-	-	-	-	-	-	-	(2 500)	(2 500)
Balance as at 30 September 2020 <i>not audited</i>	145 848	87 163	7 171	(5 991)	7 166	707 602	948 959	33 590	982 549
Profit for the period	-	-	-	-	-	202 404	202 404	4 330	206 734
Other comprehensive income	-	-	-	(1 319)	(693)	-	(2 012)	-	(2 012)
Total comprehensive income	-	-	-	(1 319)	(693)	202 404	200 392	4 330	204 722
Balance as at 31 December 2020 <i>audited</i>	145 848	87 163	7 171	(7 310)	6 473	910 006	1 149 351	37 920	1 187 271

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Consolidated statement of cash flows

	9-month period ended 30 September	
	2021	2020
	<i>not audited</i>	
CASH FLOW FROM OPERATING ACTIVITIES		
Gross profit	1 025 538	350 430
<i>from continuing operations</i>	<i>389 237</i>	<i>229 772</i>
<i>from discontinued operations</i>	<i>636 301</i>	<i>120 658</i>
Adjustments for:		
Depreciation/ amortization	110 952	100 252
Share in net (profits) of equity accounted companies	(96)	(73)
Foreign exchange losses	349	1 205
Interest and shares in profits (dividends)	4 633	6 384
(Profit) on investing activities	(600 761)	(1 335)
Change in valuation of derivative financial instruments	332	461
Change in provisions and liabilities arising from retirement benefits and similar obligations	56 514	107 479
Other adjustments	(3 405)	546
Operating profit before changes in working capital	594 056	565 349
Change in receivables and retentions for construction contracts	(271 772)	218 055
Change in inventories	(110 569)	50 761
Change in retentions for construction contracts and in liabilities, except for loans and borrowings	404 093	223 932
Change in deferred income	(76 054)	153 716
Change in valuation of construction contracts and in provision for losses	(58 385)	(63 999)
Change in cash and cash equivalents of restricted use	237 747	(1 075)
Cash flow from operating activities	719 116	1 146 739
Income tax paid	(144 280)	(135 024)
NET CASH FROM OPERATING ACTIVITIES	574 836	1 011 715

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Consolidated statement of cash flows (continued)

	9-month period ended 30 September	
	2021	2020
	<i>not audited</i>	
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of intangible assets and property, plant and equipment	16 345	5 381
Proceeds from sale of investment property	-	30 000
Purchase of intangible assets and property, plant and equipment	(74 949)	(42 253)
Purchase of shares in non-consolidated entities	(3 394)	(230)
Proceeds from sale of a subsidiary	918 434	-
Dividends received	18	-
Purchase of bonds issued by banks	-	(269 079)
Proceeds from bonds issued by banks	-	388 667
Interest received	-	1 333
NET CASH FROM INVESTING ACTIVITIES	856 454	113 819
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of loans and borrowings	(8 431)	(29 524)
Loans and borrowings received	-	4 359
Payment of dividend by Budimex SA	(426 352)	(116 417)
Dividends paid to non-controlling shareholders	(11 004)	(2 500)
Payment of lease liabilities	(129 149)	(60 213)
Interest paid	(5 903)	(10 498)
Other finance expenditure	(627)	(492)
NET CASH USED IN FINANCING ACTIVITIES	(581 466)	(215 285)
TOTAL NET CASH FLOW	849 824	910 249
Foreign exchange differences on cash and cash equivalents, net	(290)	985
CASH AND CASH EQUIVALENTS - OPENING BALANCE (note 3.2)	2 081 498	1 340 215
CASH AND CASH EQUIVALENTS - CLOSING BALANCE (note 3.2)	2 931 032	2 251 449

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1. Organization of the Budimex Group and changes in the Group structure

1.1. The Parent Company

The parent company of the Budimex Group is Budimex SA (the „Parent Company”), which main area of business is building, rendering of management and advisory services for the Budimex Group companies.

The main areas of the business activities of the Group are widely understood construction-assembly services realized in the system of general execution at home and abroad, services and production. Budimex SA serves in the Group as an advisory, management and financial center. Realization of these three functions is to facilitate:

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

1.2. Entities subject to consolidation

As at 30 September 2021, 31 December 2020 and 30 September 2020 the following entities were subject to consolidation:

Company name	Registered office	% in the share capital as at			
		30 September 2021	31 December 2020	30 September 2020	
Parent company:					
Budimex SA	Warsaw / Poland				
Subsidiaries:					
Mostostal Kraków SA	Kraków / Poland	100.00%	100.00%	100.00%	
Mostostal Kraków Energetyka Sp. z o.o.	Kraków / Poland	100.00%	100.00%	100.00%	
Budimex Bau GmbH	Cologne/ Germany	100.00%	100.00%	100.00%	
Budimex Budownictwo Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%	
Budimex Kolejnictwo SA	Warsaw / Poland	100.00%	100.00%	100.00%	
FBSerwis SA	Warsaw / Poland	100.00%	100.00%	100.00%	
FBSerwis A Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%	
FBSerwis B Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%	
FBSerwis Karpatia Sp. z o.o.	Tarnów / Poland	100.00%	100.00%	100.00%	
FBSerwis Wrocław Sp. z o.o.	Bielany Wrocławskie / Poland	100.00%	100.00%	100.00%	
FBSerwis Dolny Śląsk Sp. z o.o.	Ścinawka Dolna / Poland	100.00%	100.00%	100.00%	
FBSerwis Odbiór Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	-	
FBSerwis Paliwa Alternatywne Sp. z o.o. ¹	Warsaw / Poland	100.00%	-	-	
JZE Sp. z o.o. ¹	Warsaw / Poland	100.00%	-	-	
FBSerwis Kamieński Sp. z o.o.	Kamieński / Poland	80.00%	80.00%	80.00%	
Budimex Parking Wrocław Sp. z o.o.	Warsaw / Poland	51.00%	51.00%	51.00%	
Budimex Nieruchomości Sp. z o.o. ²	Warsaw / Poland	-	100.00%	100.00%	

¹) Companies have been consolidated since August 2021.

²) The company was sold on 24 May 2021. Details in note 1.3.

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As at 30 September 2021, 31 December 2020 and 30 September 2020 stand-alone data of Budimex SA and other Group companies, which are partners in consortiums (treated as joint operations according to IFRS 11), included their share in assets, liabilities, revenue and expenses of the following joint operations:

Joint operation name	Share in the issued capital and in the number of votes (%)		
	30 September 2021	31 December 2020	30 September 2020
Budimex SA Cadagua SA III s.c.	99.90%	99,90%	99.90%
Budimex SA Cadagua SA IV s.c.	99.90%	99,90%	99.90%
Budimex SA Cadagua SA V s.c.	99.90%	99,90%	99.90%
Budimex SA Ferrovial Agroman SA 2 s.c.	95.00%	95.00%	95.00%
Budimex SA Sygnity SA Sp.j.	67.00%	67.00%	67.00%
Budimex SA Ferrovial Construcción SA Sp.j.	50.00%	50.00%	50.00%
Budimex SA Tecnicas Reunidas SA Turów s.c.	50.00%	50.00%	50.00%

As at 30 September 2021, 31 December 2020 and 30 September 2020 equity accounted companies included:

Associate	Share		
	30 September 2021	31 December 2020	30 September 2020
Promos Sp. z o.o.	26.31%	26.31%	26.31%

1.3. Description of the changes in the composition of the Group together with the indication of their consequences

On 13 May 2021, FBSerwis SA, in which Budimex SA holds 100% of shares, established the company JZE Sp. z o.o., with a share capital of PLN 5 thousand. On 8 June 2021 the company was registered in the National Court Register. This company has been consolidated since August 2021.

On 5 July 2021, Budimex SA, as the sole shareholder, established the company Budimex Slovakia s.r.o., based in Bratislava, Slovakia. The share capital in the amount of EUR 5 thousand was also paid up in July 2021. On 17 September 2021 the company was registered in the appropriate registry court. This company was not consolidated as at 30 September 2021 due to lack of significant operating activities.

On 20 July 2021, FBSerwis SA, in which Budimex SA holds 100% of shares, established the company FBSerwis Paliwa Alternatywne Sp. z o.o., with a share capital of PLN 5 thousand. On 19 August 2021 the company was registered in the National Court Register. This company has been consolidated since August 2021.

On 4 August 2021, Budimex SA, as the sole shareholder, established the company Budimex Construction Prague s.r.o., based in Prague, Czech Republic. The share capital in the amount of CZK 200 thousand was also paid up in August 2021. On 2 September 2021 the company was registered in the appropriate registry court. This company was not consolidated as at 30 September 2021 due to lack of significant operating activities.

In the nine-month period ended 30 September 2021 there were no other changes in the Group's structure other than those described below.

1.3.1 Discontinued operations

On 22 February 2021, Budimex SA concluded a conditional agreement for the sale of all shares in the subsidiary 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 share capital of Budimex Nieruchomości Sp. z o.o., entitling to 100% of votes at the company's Shareholders' Meeting. From the point of view of the consolidated financial statements of the Budimex Group, this meant the sale of the entire segment "property management and developer business". Thus, this segment was excluded from Note 8, presenting the Group's operating segments.

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From the date of concluding the conditional sale agreement, the Group began presenting the entire segment "property management and developer business" 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. Due to the changes described above, in accordance with IFRS 5, the comparative data in the profit and loss account and other comprehensive income were restated, as well as the data in the operating segments.

As at the date of reclassification to discontinued operations, the Group valued the net assets of Budimex Nieruchomości Sp. z o.o. (the only company in the segment) at the lower of the carrying amount or the fair value less costs to sell. As the expected sale price was significantly higher than the carrying amount of the net assets and the costs to sell were negligible given the overall value of the transaction, the carrying amount was lower. Thus, the Group did not recognize any impairment losses on the net assets of Budimex Nieruchomości Sp. z o.o.

On 24 May 2021 Budimex SA sold all shares in Budimex Nieruchomości Sp. z o.o. Details of the transaction are described in note 1.3.2 of the condensed consolidated financial statements for the first half of 2021, published on 3 September 2021.

The data of Budimex Nieruchomości Sp. z o.o. (including consolidation adjustments assigned to the segment) for the period of 1 January – 24 May 2021 and the restated 9-month period of 2020:

	1 January – 24 May 2021	1 January – 30 September 2020 <i>restated*</i>
Net sales of finished goods, goods for resale, raw materials and services	255 342**	552 748***
Cost of finished goods, goods for resale, raw materials and services sold	(197 178)**	(402 507)***
Gross profit on sales	58 164	150 241
Selling expenses	(6 881)	(13 407)
Administrative expenses	(10 011)	(23 040)
Other operating income	9	2 741
Operating profit	41 281	116 535
Finance income/ (costs)	(406)	4 123
Gross profit	40 875	120 658
Income tax	(7 818)	(23 048)
Profit after tax on development activities (discontinued)	33 057	97 610
Profit on sale of the subsidiary after tax	487 451	-
Net income from discontinued operations	520 508	97 610

* data also includes SPV-PIM1 Sp. z o.o., merged with Budimex Nieruchomości Sp. z o.o. on 26 May 2020

** net sales and cost of sales include intercompany eliminations in the amount of PLN 11 thousand

*** net sales and cost of sales include intercompany eliminations in the amount of PLN 423 thousand

Cash flows from discontinued operations	1 January – 24 May 2021	1 January – 30 September 2020 <i>restated*</i>
Net cash from operating activities	86 863	302 893
Net cash from investing activities, of which:	918 065	28 680
<i>Net cash from/ (used in) investing activities generated by Budimex Nieruchomości Sp. z o.o.</i>	<i>(369)</i>	<i>28 680</i>
<i>Net cash from the sale of a subsidiary</i>	<i>918 434</i>	<i>-</i>
Net cash (used in) financing activities	(189 355)	(26 524)
Total cash flows from discontinued operations	815 573	305 049
Cash of discontinued operations, recognised in the statement of cash flow, opening balance	506 199	201 496
Cash of discontinued operations, recognised in the statement of cash flow, closing balance	-	506 545

*data also includes SPV-PIM1 Sp. z o.o., merged with Budimex Nieruchomości Sp. z o.o. on 26 May 2020

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Property management and developer business	1 January – 24 May 2021	1 January – 30 September 2020 <i>restated*</i>
Sales of other services	1 860	3 967
Sales of finished goods	253 482	532 531
Sales of goods for resale and raw materials	-	16 250
Total sales of finished goods, goods for resale and raw materials	255 342	552 748

*data also includes SPV-PIM1 Sp. z o.o., merged with Budimex Nieruchomości Sp. z o.o. on 26 May 2020

Revenue was earned in Poland only.

2. Shareholders of the Parent Company

According to the information held by Budimex SA, the shareholding structure of Budimex SA as at the report date was as follows:

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

The above data presents the shareholding structure as at the last General Meeting of Shareholders of 20 May 2021.

According to the information held by Budimex SA, the shareholding structure of Budimex SA as at 31 December 2020 was as follows:

Shareholder	Type of shares	Number of shares	% of the share capital	Number of votes	% of voting rights at the AGM
Ferrovial Construction International SE	ordinary	12 801 654	50.14%	12 801 654	50.14%
Aviva OFE Aviva Santander	ordinary	2 552 000	10.00%	2 552 000	10.00%
Nationale-Nederlanden OFE	ordinary	1 618 000	6.34%	1 618 000	6.34%
Other shareholders	ordinary	8 558 444	33.52%	8 558 444	33.52%
Total		25 530 098	100.00%	25 530 098	100.00%

3. Principles applied for the purpose of preparation of condensed financial statement

3.1. Accounting policies and basis of preparing the consolidated financial statements of the Budimex Group

These condensed financial statements were prepared in accordance with IAS 34 "Interim Financial Reporting" and appropriate accounting standards applicable for preparation of the interim consolidated financial statements adopted by the European Union issued and effective when preparing the interim consolidated financial statements applying the same principles for the current and comparable period. Details of accounting policies adopted by the Group were described in the consolidated financial statements of the Group for the year ended 31 December 2020, published on 25 March 2021.

The condensed consolidated financial statements were prepared on the assumption that the Parent Company and all entities included in the Budimex Group will continue as a going concern in the foreseeable future. In the reporting period and as at the date of preparation of these financial statements no circumstances were noted that would indicate a threat to ability to continue as a going concern.

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Amendments to standards effective first time in 2021

The Group applied for the first time the following amendments to IFRSs:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – IBOR reform - Phase 2,
- Amendments to IFRS 4 „Insurance contracts” – Deferral of effective date of IFRS 9,
- Amendments to IFRS 16 “Leases” - Covid-19-related rent concessions beyond 30 June 2021.

The above amendments to standards did not have a significant impact on the Company's accounting policy applied so far.

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

While authorizing these 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 3 „Business combinations”, IAS 16 „Property, plant and equipment” and IAS 37 „Provisions, Contingent Liabilities and Contingent Assets (Cycle 2018- 2020)” (effective for annual periods beginning on or after 1 January 2022).

Standards and amendments to standards issued by IASB but not yet adopted by the EU

The IFRSs endorsed by the EU do not 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”; including Amendments to IFRS 17 (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 – 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 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),
- Amendments to IAS 12 “Income tax”: Deferred tax related to assets and liabilities arising from a single transaction (effective for annual periods beginning on or after 1 January 2023).

The above mentioned standards and standard amendments would not have any material impact on the consolidated financial statements, had these been applied by the Group at the reporting date.

3.2. Cash recognised in the cash flow statement

The Group recognizes cash of restricted use (including mainly cash of the consortia in the portion attributable to other consortium members, cash representing security for bank guarantees, funds kept in escrow by developer companies and split payment bank accounts) in the statement of financial position under cash and cash equivalents. For the purpose of the statement of cash flow – the balance of cash at the beginning and at the end of the reporting period is reduced by cash of restricted use, and its change in the statement of financial position is recognized under cash flow from operating activities.

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	30 September 2021	31 December 2020	30 September 2020
Cash recognised in the statement of financial position	2 996 185	2 384 398	2 428 286
Cash and cash equivalents of restricted use	(65 153)	(302 900)	(176 837)
Cash recognised in the statement of cash flow	2 931 032	2 081 498	2 251 449

The change in restricted cash and cash equivalents in 9-month period of 2021, resulting from sale of Budimex Nieruchomości Sp. z o.o., amounted to PLN 191 934 thousand.

4. Net sales of finished goods and services, selling expenses, administrative expenses and profitability

Sale of construction-assembly services in Poland is characterized by seasonality mainly connected with atmosphere conditions and the highest revenues are usually achieved in the second and third quarter, while the lowest – in the first quarter.

In the 9-month of 2021 construction-assembly production in Poland expressed in current prices increased 4.9% compared to the corresponding period of the prior year (increased 1.4% in fixed prices), while sales of the construction segment of the Budimex Group on the home market decreased 6.32% on the corresponding period.

Net sales and profitability

	9 months ended			3 months ended		
	30 September 2021	30 September 2020 <i>restated</i>	Change in %	30 September 2021	30 September 2020 <i>restated</i>	Change in %
Net sales of finished goods and services	5 533 832	5 616 598	(1.47%)	2 292 740	2 156 433	6.32%
Gross profit on sales	589 056	451 554	30.45%	213 411	198 428	7.55%
Gross profitability on sales	10.64%	8.04%	2.60 p.p.	9.31%	9.20%	0.11 p.p.
Operating profit	416 376	252 748	64.74%	139 986	153 061	(8.54%)
Operating profitability	7.52%	4.50%	3.02 p.p.	6.11%	7.10%	(0.99 p.p.)
Operating profit in construction segment	278 208	210 674	32.06%	117 036	126 625	(7.57%)
Operating profitability in construction segment	5.44%	3.82%	1.62 p.p.	5.60%	5.94%	(0.34 p.p.)
Operating profit in service segment	78 210	53 978	44.89%	22 993	24 603	(6.54%)
Operating profitability in service segment	13.87%	12.51%	1.36 p.p.	11.28%	15.98%	(4.70 p.p.)
Gross profit	389 237	229 772	69.40%	129 639	138 619	(6.48%)
Gross profitability	7.03%	4.09%	2.94 p.p.	5.65%	6.43%	(0.78 p.p.)
Net profit	833 435	264 660	214.91%	104 483	150 169	(30.42%)
Net profitability	15.06%	4.71%	10.35 p.p.	4.56%	6.96%	(2.40 p.p.)

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Selling expenses and administrative expenses

	9 months ended			3 months ended		
	30 September 2021	30 September 2020 <i>restated</i>	Change in %	30 September 2021	30 September 2020 <i>restated</i>	Change in %
Selling expenses	(7 790)	(7 567)	2.95%	(2 704)	(2 249)	20.23%
Administrative expenses	(182 316)	(158 641)	14.92%	(62 306)	(48 080)	29.59%
Total selling & administrative expenses	(190 106)	(166 208)	14.38%	(65 010)	(50 329)	29.17%
Share of selling & administrative expenses in net sales of finished goods and services	3.44%	2.96%	0.48 p.p.	2.84%	2.33%	0.51 p.p.

5. Other operating income and expenses

Other operating income

	9 months ended		3 months ended	
	30 September 2021	30 September 2020 <i>restated</i>	30 September 2021	30 September 2020 <i>restated</i>
Reversal of impairment write-downs against receivables	13 879	2 447	3 884	709
Reversal of provisions for compensations and liquidated damages	2 208	44 657	-	18 649
Penalties/ compensations awarded	32 258	25 251	11 463	8 507
Statute-barred liabilities written-off	2 205	638	1 737	213
Gains on derivative financial instruments	-	1 781	(2 097)	1 132
Subsidies received	1 262	127	3	127
Gains on the sale of non-financial non-current assets	6 928	1 958	1 294	223
Reversal of other provisions	-	2 000	-	-
Other	2 746	1 808	1 295	120
Total	61 486	80 667	17 579	29 680

Other operating expenses

	9 months ended		3 months ended	
	30 September 2021	30 September 2020 <i>restated</i>	30 September 2021	30 September 2020 <i>restated</i>
Impairment write-downs against receivables	(24 709)	(33 495)	(21 366)	(8 583)
Impairment write-downs against inventories	-	(2 923)	-	(2 923)
Compensations and liquidated damages paid	(11 884)	(20 448)	(788)	(2 607)
Loss on derivative financial instruments	(2 136)	-	(2 062)	227
Court charges and executions, costs of legal proceedings	(1 843)	(912)	(316)	(378)
Creation of provision for compensations and liquidated damages	(922)	(50 455)	(922)	(9 363)
Creation of provision for court cases	(538)	(1 376)	(72)	(705)
Donations given	(1 447)	(3 042)	(264)	(158)
Other	(581)	(614)	(204)	(228)
Total	(44 060)	(113 265)	(25 994)	(24 718)

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6. Finance income and costs

Finance income

	9 months ended		3 months ended	
	30 September 2021	30 September 2020 <i>restated</i>	30 September 2021	30 September 2020 <i>restated</i>
Interest earned	3 020	9 293	1 453	1 241
Valuation of receivables from service concession arrangement	2 160	2 158	720	724
Gains on derivative financial instruments	1 751	-	638	-
Foreign exchange gains	-	525	(655)	(812)
Write-off of liabilities resulting from purchase of FBSerwis Karpatia and FBSerwis Wrocław	-	278	-	(4 748)
Other	713	-	217	(23)
Total	7 644	12 254	2 373	(3 618)

Finance costs

	9 months ended		3 months ended	
	30 September 2021	30 September 2020 <i>restated</i>	30 September 2021	30 September 2020 <i>restated</i>
Interest expense	(6 748)	(7 638)	(1 731)	(2 535)
Discount of retentions for construction contracts	(3 468)	(5 091)	(1 203)	(1 174)
Cost of bank commissions and guarantees	(21 529)	(20 508)	(7 304)	(7 155)
Loss on derivative financial instruments	(627)	(1 935)	(211)	(32)
Foreign exchange loss	(97)	-	(97)	-
Shares in subsidiaries written-off	(2 141)	-	(2 141)	-
Other	(269)	(131)	(62)	41
Total	(34 879)	(35 303)	(12 749)	(10 855)

All valued derivative instrument contracts (presented both in the operating and financing activity) were classified as level 2 in the fair value hierarchy. During the 9 months ended 30 September 2021, there was no transfer between Level 1 and Level 2 of fair value measurements, and no transfer into and out of Level 3 of fair value measurement. The fair value of financial instruments owned by the Group companies is similar to their carrying value.

7. Other important information on activity of the Budimex Group in the period of three quarters 2021

Provisions for liabilities and other charges

	30 September 2021	31 December 2020
Provisions for litigation proceedings	31 274	33 129
Provisions for compensations and liquidated damages	83 587	125 770
Provisions for warranty repairs	635 977	591 478
Provisions for land reclamation	49 865	47 200
Other provisions	46 731	22 932
Total	847 434	820 509
<i>of which:</i>		
- long-term	563 157	593 398
- short-term	284 277	227 111

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Income tax in the income statement

	30 September 2021	30 September 2020 <i>restated</i>
Income tax – current	(142 445)	(162 356)
Income tax – deferred	66 135	99 634
Income tax in the income statement	(76 310)	(62 722)

Other information

	9 months ended	
	30 September 2021	30 September 2020
Reversal of impairment write-downs against inventories	247	20
Value of property, plant and equipment and intangible assets purchased or started to be leased:	79 436	111 652
- of which: plant and machinery	22 775	45 341

As at 30 September 2021 contractual obligations made by the Group for the purchase of property, plant and equipment amounted to PLN 14 666 thousand. Contractual obligations made by the Group for the purchase of equipment, purchase of plots of land for development purposes and for a cash contribution to the share capital of a newly established company as at 31 December 2020 amounted to PLN 92 108 thousand.

As at 30 September 2021, due to a change in the consolidation scope as result of sale of shares in Budimex Nieruchomości Sp. z o.o., the balance of inventories, loans, borrowings and other external sources of financing as well as deferred income decreased significantly compared to the comparable period.

In addition, as at 30 September 2021, there was a cyclical increase in the balance of valuation of construction contracts on the side of assets compared to the end of 2020, related to a higher scale of completed and uninvoiced works.

At the same time, the Group recorded an increase in short-term trade and other liabilities compared to 31 December 2020, which resulted mainly from the adopted resolution on the payment of an interim dividend for 2021 in the amount of PLN 380 398 thousand and the seasonality of construction works and related settlements with subcontractors. The increase in provisions for contract losses is due to the identification of risks on new contracts. During 9 months of 2021, there was also a decrease in deferred income, which results from the settlement of previously received advances and from the fact that new advances are not collected, as some infrastructure contracts are at the design stage. A significant increase in current income tax liabilities results from the sale of shares in Budimex Nieruchomości Sp. z o.o. and the Budimex SA's choice of a simplified method of paying advances for income tax.

8. Operating segments

For the 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,
- service activities.

Construction business covers rendering of widely understood construction-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

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The segment of service activities comprises comprehensive services in the field of municipal waste management, comprehensive road maintenance, lighting infrastructure extension and management, and technical operation (maintenance) of buildings, also in the form of public-private partnership (PPP). Classified to this segment were the following entities:

- Budimex Parking Wrocław Sp. z o.o.
- FBSerwis SA
- FBSerwis A Sp. z o.o.
- FBSerwis B Sp. z o.o.
- FBSerwis Dolny Śląsk Sp. z o.o.
- FBSerwis Wrocław Sp. z o.o.
- FBSerwis Karpatia Sp. z o.o.
- FBSerwis Kamieńsk Sp. z o.o.
- FBSerwis Odbiór Sp. z o.o. (consolidated using the full method since October 2020)
- FBSerwis Paliwa Alternatywne Sp. z o.o. (consolidated using the full method since August 2021)
- JZE Sp. z o.o. (consolidated using the full method since August 2021)

The segment "property management and developer business" was included in the discontinued operations. Details are described in note 1.3.1.

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

The results of segments for nine months of 2021 are presented in the table below:

Segment name	Construction business	Property management and developer business	Service activities	Consolidation adjustments	Consolidated financial data
External sales	4 971 859	-	561 973	-	5 533 832
Inter-segment sales	146 391	-	2 081	(148 472)	-
Total sales of finished goods, goods for resale and raw materials	5 118 250	-	564 054	(148 472)	5 533 832
Gross profit on sales	423 629	-	113 068	52 359	589 056
Selling expenses	(7 790)	-	-	-	(7 790)
Administrative expenses	(160 282)	-	(29 633)	7 599	(182 316)
Other operating income/(expenses), net	22 651	-	(5 225)	-	17 426
Operating profit	278 208	-	78 210	59 958	416 376
Finance income/(costs), net	(27 278)	-	(117)	160	(27 235)
Shares in profits of equity accounted subordinates	-	-	96	-	96
Income tax expense	(47 521)	-	(17 367)	(11 422)	(76 310)
Net profit from continuing operations	203 409	-	60 822	48 696	312 927
Net profit from discontinued operations	-	520 508	-	-	520 508
Net profit for the period	203 409	520 508	60 822	48 696	833 435

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The results of segments for nine months of 2020 are presented in the table below:

Segment name	Construction business	Property management and developer business (restated)	Service activities	Consolidation adjustments (restated)	Consolidated financial data (restated)
External sales	5 188 325	-	428 273	-	5 616 598
Inter-segment sales	323 251	-	3 061	(326 312)	-
Total sales of finished goods, goods for resale and raw materials	5 511 576	-	431 334	(326 312)	5 616 598
Gross profit on sales	402 279	-	75 024	(25 749)	451 554
Selling expenses	(7 567)	-	-	-	(7 567)
Administrative expenses	(149 364)	-	(23 122)	13 845	(158 641)
Other operating income/ (expenses), net	(34 674)	-	2 076	-	(32 598)
Operating profit	210 674	-	53 978	(11 904)	252 748
Finance (costs), net	(19 809)	-	(3 520)	280	(23 049)
Shares in profits of equity accounted subordinates	-	-	73	-	73
Income tax expense	(57 443)	-	(7 488)	2 209	(62 722)
Net profit for the period from continuing operations	133 422	-	43 043	(9 415)	167 050
Net profit from discontinued operations	-	97 610	-	-	97 610
Net profit for the period	133 422	97 610	43 043	(9 415)	264 660

9. Revenue from sale of finished goods, services, goods for resale and raw materials, by category

9.1. Sales revenue, by type of good or service

During the period of nine months of 2021 net sales of finished goods, services, goods for resale and raw materials, by type of good or service, were as follows:

Segment name	Construction business	Service activities	Consolidation adjustments	Consolidated financial data
Sales of construction and assembly services	5 060 549	-	(139 541)	4 921 008
Sales of other services	10 280	564 054	(8 931)	565 403
Sales of finished goods	39 156	-	-	39 156
Sales of goods for resale and raw materials	8 265	-	-	8 265
Total sales of finished goods, goods for resale and raw materials	5 118 250	564 054	(148 472)	5 533 832

During the period of nine months of 2020 net sales of finished goods, services, goods for resale and raw materials, by type of good or service, were as follows:

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Segment name	Construction business	Service activities	Consolidation adjustments (restated)	Consolidated financial data (restated)
Sales of construction and assembly services	5 446 044	-	(308 940)	5 137 104
Sales of other services	8 539	431 334	(17 372)	422 501
Sales of finished goods	39 533	-	-	39 533
Sales of goods for resale and raw materials	17 460	-	-	17 460
Total sales of finished goods, goods for resale and raw materials	5 511 576	431 334	(326 312)	5 616 598

9.2. Sales revenue, by geographical area

In the nine months of 2021 net sales of finished goods, services, goods for resale and raw materials, by geographical area, were as follows:

Segment name	Construction business	Service activities	Consolidation adjustments	Consolidated financial data
Poland	4 889 845	563 744	(148 472)	5 305 117
Germany	188 635	115	-	188 750
Other EU countries	39 770	195	-	39 965
Total sales of finished goods, goods for resale and raw materials	5 118 250	564 054	(148 472)	5 533 832

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

Segment name	Construction business	Service activities	Consolidation adjustments (restated)	Consolidated financial data (restated)
Poland	5 219 742	431 173	(326 312)	5 324 603
Germany	186 787	160	-	186 947
Other EU countries	98 894	1	-	98 895
Other countries	6 153	-	-	6 153
Total sales of finished goods, goods for resale and raw materials	5 511 576	431 334	(326 312)	5 616 598

9.3. Sales revenue of the segment „Construction business” by construction type

Net sales of finished goods, services, goods for resale and raw materials of the „Construction business” as the most significant operating segment in the Budimex Group were additionally analysed by type of construction objects. Data for the nine months of 2021 and the nine months of 2020 were as follows:

Type of construction	Sales revenue for a 9-month period ended:	
	30 September 2021	30 September 2020
Land-engineering	1 917 648	2 500 066
Railway	1 303 579	1 069 363
General construction, of which:	1 897 023	1 942 147
- non-housing	1 529 189	1 495 088
- housing	367 834	447 059
Net sales of finished goods, goods for resale and raw materials – Construction business segment	5 118 250	5 511 576

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10. Related party transactions

Transactions with related parties made in the period of nine months ended 30 September 2021 and in the period of nine months ended 30 September of 2020 and unsettled balances of receivables and liabilities as at 30 September 2021 and 31 December 2020 are presented in the tables below:

	Receivables		Liabilities	
	30 September 2021	31 December 2020	30 September 2021	31 December 2020
Parent and its related parties (the Ferrovial Group)	34	1 864	212 294	25 734
Jointly controlled entities	21 478	2 657	1 838	777
Associates	97	105	24	28
Other related entities – non-consolidated subsidiaries**	-	62	-	-
Other related entities – other**	3	11 005	-	-
Other related entities – through key personnel**	-	2	-	1 164
Total settlements with related parties	21 612	15 695	214 156	27 703

	Sales of finished goods and services & other operating income*		Purchase of finished goods and services & other operating expenses*	
	9-month period ended 30 September		9-month period ended 30 September	
	2021	2020	2021	2020
Parent and its related parties (the Ferrovial Group)	15	-	(20 712)	(20 526)
Jointly controlled entities	18 585	5 342	37	(36)
Associates	17	15	(957)	(973)
Other related entities - non-consolidated subsidiaries**	1	16	-	-
Other related entities - others**	1	10	(44)	-
Other related entities - through key personnel**	262	888	-	(211)
Total transactions with related parties	18 881	6 271	(21 676)	(21 746)

*) The figures presented in the note encompass the data reported within the discontinued operations.

**) Other related parties represent controlled or 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 significant number of votes at the shareholders' meeting of this company.

As at 30 September 2021 and 31 December 2020, the Group's companies did not have any loans given or debt securities purchased from related entities, nor any loans received or debt securities sold to these entities.

Inter-Group transactions are made on an arm's length basis.

11. Factors which will affect results achieved by the Group in a period covering at least the next quarter

The most important factors that may have an impact on the Group's financial position in the perspective of at least the next quarter include:

- increase in the level of prices of construction materials (especially steel) and services affecting the level of direct costs of contracts,
- availability of skilled and experienced staff,
- further development of the coronavirus pandemic and changes in the level of economic activity,
- risks related to logistics and transport of construction materials,

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- volatility of exchange rates, which affect the level of sales revenues and operating costs as well as the result from the valuation and settlement of foreign currency forward transactions,
- high demand for the services of subcontractors, affecting the quality and timeliness of the work performed,
- the level of competition in public tenders,
- intensification of activities aimed at recovering overdue receivables covered by write-downs and strengthening operational and financial control over the performed contracts,
- results of pending court cases, which are described in more detail in Note 16 to these consolidated financial statements,
- changes in tax regulations affecting the construction industry.

12. Description of significant achievements or failures of the Budimex Group in the 9 months of 2021, key events concerning the Group's operations and significant events after 30 September 2021

Due to the signing of the agreement for the sale of Budimex Nieruchomości on 24 May 2021, from the beginning of the year, the developer segment is presented as discontinued operations (both in the financial statements for 3 quarters of 2021 and in the comparable data for 3 quarters of 2020) in accordance with IFRS 5. Continuing operations of the Group cover the construction and service segments.

In the three quarters of 2021, the operating profitability of Budimex Group from continuing operations was noticeably higher than in the corresponding period of the previous year.

In the construction segment, profitability improved mainly due to stabilization of profitability of contracts from all construction sectors, as well as better result on other operating activity. Less favourable weather conditions during winter season, which made it more difficult to carry out construction works, as well as different distribution of construction works in residential sector resulted in a decline in sales revenue compared to the same period last year. Additionally, in the road sector, several significant contracts are currently in the design stage, which translates into a relatively low sales revenue.

In the period of three quarters of 2021, the service segment, whose financial performance is driven by FBSerwis Group, continued its dynamic development, increasing sales revenue by 30% compared to the same period last year. Furthermore, increase in sales resulted in enhanced operating profit and gross profit, supported by strong financial results of the municipal waste management sector.

The net result of discontinued operations in the period of three quarters of 2021 consists of the developer segment net result for the period before the disposal of Budimex Nieruchomości Sp. z o.o., as well as the net result on the settlement of the disposal transaction.

The order portfolio of Budimex Group is profitable and ensures high workload for the following quarters. The structure of the portfolio has not changed significantly over the last year - the portfolio is mainly based on infrastructure and railway contracts, which account for ca. 2/3 of its value.

The order portfolio of Budimex Group as at 30 September 2021 amounted to PLN 14 021 180 thousand. The value of contracts signed between January and September 2021 was PLN 5 878 646 thousand. Additionally, the value of the contracts with the lowest bids or tenders where the Group's offer is rated the highest by the Investors is over 1 billion PLN.

After the period of three quarters of 2021, the Group's cash position noticed further improvement compared to the end of 2020. Key driver of improved cash position was the income from the disposal of Budimex Nieruchomości Sp z o.o. The Management Board of Budimex SA, taking into account company's solid cash position, decided on payment of interim dividend for 2021. The Supervisory Board of Budimex SA, after having analyzed the standalone financial statements of Budimex SA for the first half of 2021, consented to the payment of interim dividend. The interim dividend of PLN 380 million was paid on 18 October 2021. In order to maintain the robust condition and financial liquidity of our subcontractors and suppliers, advance payments are still offered for the services and materials.

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The ongoing state of epidemic in Poland did not have a significant impact on the Group's financial parameters for the three quarters of 2021. Budimex SA was among the employers, who decided to participate in the vaccination program for employees.

In the period from 30 September 2021 to the date of preparation of these condensed consolidated financial statements no other significant events took place.

13. Issue, redemption and repayment of debt and equity securities

In the period of nine months of 2021 Budimex SA and Group companies did not issue, redeem or repay debt or equity securities.

14. The Management Board's position on the feasibility of results stated in the financial forecasts published earlier for the year in view of the financial results presented in the quarterly report in relation to the projected results

Budimex SA did not publish any forecasts.

15. Statement of ownership of shares of Budimex SA or rights to such shares (options) held by the managing or supervisory persons of Budimex SA as at the date of publication of this report together with indication of changes in the ownership in the third quarter of 2021

As at the date of publication of the report members of the Management Board and Supervisory Board of Budimex SA held the following number of shares:

Marcin Węglowski	(Management Board member)	2 830 shares
Marek Michałowski	(chairman of the Supervisory Board)	4 000 shares

Above mentioned members of the Management Board and Supervisory Board do not own share options of the company. As at the date of publication of this report other managing and supervisory persons of Budimex SA do not hold its shares or share options. There has been no change in the status of ownership since 31 December 2020.

16. Proceedings pending as at 30 September 2021 before court, competent arbitration body or any public administration authority

The total value of legal proceedings in progress in respect of liabilities and receivables as at 30 September 2021 was PLN 693 909 thousand. Excess of the value of proceedings against Group companies over proceedings relating to claims of Group companies amounted to PLN 54 881 thousand.

In accordance with information in the possession of Budimex SA, the total value of legal proceedings in progress in respect of liabilities of Budimex SA and its subsidiaries as at 30 September 2021 was PLN 374 395 thousand. These proceedings involve the Group companies' operating activity.

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

In the opinion of the Management Board of Budimex SA the claims in the lawsuit are groundless. The irregularities, which in the Claimant's opinion constitute actual grounds of the claims, provided that these do exist, do not result from actions or omissions of the consortium. Moreover, proper performance of the building by the consortium was confirmed

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by the Claimant issuing the Work Acceptance Certificate and Implementation Certificate for the Silesian Museum building in Katowice. The Management Board assesses that the provisions for warranty repairs recognised beforehand fully cover the risks related to contract implementation. Budimex SA filed its response to the claim on 31 October 2017 and supplemented it in January 2018. The court successfully delivered a copy of the claim to Ferrovia Agroman SA on 21 September 2018. Ferrovia Agroman SA filed a reply to the statement of claim on 22 October 2018. The first hearing took place on 11 March 2019, during which the court obliged the parties to pay an advance towards the remuneration of the research institute which will prepare an opinion on the case. As at the date of the report, the date of the next hearing is not known.

Another significant case concerns a request for arbitration submitted by Steinmüller Babcock Environment GmbH ("Steinmüller") to the Secretariat of the International Court of Arbitration at the International Chamber of Commerce in Paris on 20 December 2019. The application is based on the allegations of breach by Budimex SA of the consortium agreement concluded between Budimex SA and Steinmüller in connection with the joint performance of construction works regarding the public procurement under the name "Construction of a new heat and power plant in Vilnius - Lot 1" for UAB "Vilniaus kogeneracine jėgaine" with its seat in Vilnius (Lithuania) and includes a request that the adjudicating panel establish intra-consortium liability of Budimex SA towards the claimant for any damage or claims that arose (or may arise) as a result of alleged delayed or improper performance by Budimex SA of its scope of work for which the consortium may be liable. For the purposes of the arbitration proceedings, Steinmüller determined the value of its claims at EUR 25 million, i.e. PLN 105 875 thousand.

In the opinion of the Management Board of Budimex SA, the claims covered by the Request for Arbitration are groundless and, above all, premature. The consortium submitted a number of claims to the contract engineer for an extension of the time for completion of the works, for reasons both beyond the control of the parties to the contract and dependent solely on the contracting authority.

In response, on 28 February 2020 Budimex SA submitted a response to the request for arbitration along with counterclaims against Steinmüller. Budimex SA demands that the adjudicating panel dismisses Steinmüller's claims entirely as unfounded, and also presented counterclaims against Steinmüller, in particular for a recognition that the delays in the performance of the construction works are due to reasons attributable to Steinmüller. The estimated value of mutual claims of Budimex SA against Steinmüller was determined at EUR 26 537 thousand, i.e. PLN 114 904 thousand.

On 27 May 2020 the parties and the adjudicating panel signed the act of mission. According to the agreed procedure schedule, Steinmüller filed a Statement of Claim on 18 December 2020. At the joint request of the parties, on 19 February 2021 the adjudicating panel agreed to modify the procedure schedule by postponing the dates of the various activities by approximately 6 months. Again, at the joint request of the parties, on 8 October 2021 the adjudicating panel agreed to another modification of the procedure calendar, in particular, to the change of the deadline for Budimex to submit a response to the statement of claim and counterclaim ("Statement of Defence and Counterclaim") by 3 December 2021. The next stages of arbitration will take place in 2022 and the hearing will take in March 2023. The verdict is expected by the end of 2023.

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

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

The total value of legal proceedings pending in respect of claims of Budimex SA and its subsidiaries amounted to PLN 319 514 thousand as at 30 September 2021. Apart from the above described case brought by Budimex SA against

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Steinmüller Babcock Environment GmbH, the remaining proceedings relate mainly to the recovery of overdue receivables from business partners and to additional claims in respect of the construction work performed.

As at the date of this report, the final outcome of the proceedings is not known.

17. Contingent assets and contingent liabilities

	30 September 2021	31 December 2020
<u>Contingent assets</u>		
From other entities		
– guarantees and sureties received	680 141	615 095
– bills of exchange received as security	5 429	11 237
From other entities, total	685 570	626 332
Total contingent assets	685 570	626 332
<u>Contingent liabilities</u>		
To other entities, of which:		
– guarantees and sureties issued	4 316 930	4 333 352
– promissory notes issued as performance bond	11 077	12 797
To other entities, total	4 328 007	4 346 149
Other contingent liabilities	181	181
Total contingent liabilities	4 328 188	4 346 330
Total contingent items	(3 642 618)	(3 719 998)

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

Contingent liabilities arising from guarantees and sureties comprise mainly guarantees issued by banks to business partners of the Group companies 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 investors 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 7 to these condensed 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 customers.

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Guarantees and sureties issued by Budimex SA as at 30 September 2021:

Name of the company which issued a guarantee or surety	Name of the (company) entity which received a surety or a guarantee	Total value of guarantees or sureties issued	Maximum period of guarantees or sureties issuance	Financial conditions in respect of guarantees and sureties issued	Type of relations between Budimex SA and the entity which took out a guarantee or surety
Budimex SA	Mostostal Kraków SA	112 419	2027-12-31	against payment	subsidiary
Budimex SA	Mostostal Kraków Energetyka Sp. z o.o.	141	2023-11-21	against payment	subsidiary
Budimex SA	Budimex Budownictwo Sp. z o.o.	203 191*	2029-10-15	free of charge	subsidiary
Budimex SA	Budimex Kolejnictwo SA	19 827	2027-12-31	against payment	subsidiary
Budimex SA	FBSerwis SA	23 408	2030-07-12	against payment	subsidiary
TOTAL		358 986			

*sureties were issued for contracts carried out by Budimex SA

Guarantees and sureties issued by Budimex SA as at 31 December 2020:

Name of the company which issued a guarantee or surety	Name of the (company) entity which received a surety or a guarantee	Total value of guarantees or sureties issued	Maximum period of guarantees or sureties issuance	Financial conditions in respect of guarantees and sureties issued	Type of relations between Budimex SA and the entity which took out a guarantee or surety
Budimex SA	Mostostal Kraków SA	98 130	2027-06-28	against payment	subsidiary
Budimex SA	Mostostal Kraków Energetyka Sp. z o.o.	141	2023-11-21	against payment	subsidiary
Budimex SA	Budimex Kolejnictwo SA	74 264	2029-11-30	against payment	subsidiary
Budimex SA	Budimex Bau GmbH	47	2021-12-31	free of charge	subsidiary
Budimex SA	Budimex Budownictwo Sp. z o.o.	279 554*	2029-10-15	free of charge	subsidiary
Budimex SA	Budimex Nieruchomości Sp. z o.o.	6	2023-03-18	against payment	subsidiary
Budimex SA	FBSerwis SA	31 887	2030-07-12	against payment	subsidiary
TOTAL		484 029			

*sureties were issued for contracts carried out by Budimex SA

President of the Management Board

Member of the Management Board

Artur Popko

Marcin Węglowski

Warsaw, 27 October 2021

This is a translation of condensed consolidated financial statements originally issued in Polish. In case of any inconsistencies between the Polish and English version, the Polish version shall prevail.