



THE BUDIMEX GROUP

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for 1 half of 2022

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

Table of contents

Consolidated statement of financial position	2
Consolidated income statement	4
Consolidated statement of comprehensive income	5
Consolidated statement of changes in equity	6
Consolidated statement of cash flows	8
1. Organization of the Budimex Group and changes in the Group structure	10
1.1. The Parent Company	10
1.2. Entities subject to consolidation	10
1.3. Description of the changes in the composition of the Group together with the indication of their consequences	11
2. Shareholders of the Parent Company	13
3. Principles applied for the purpose of preparation of condensed financial statement	14
3.1. Accounting policies and basis of preparing the consolidated financial statements of the Budimex Group	14
3.2. Cash recognised in the cash flow statement	15
4. Net sales of finished goods and services, selling expenses, administrative expenses and profitability	15
5. Other operating income and expenses	16
6. Finance income and costs	17
7. Other important information on activity of the Budimex Group in the I half of 2022	18
8. Operating segments	19
9. Revenue from sale of finished goods, services, goods for resale and raw materials, by category	21
9.1. Sales revenue, by type of good or service	21
9.2. Sales revenue, by geographical area	21
9.3. Sales revenue of the segment „Construction business” by construction type	22
10. Related party transactions	22
11. Factors which will affect results achieved by the Group in a period covering at least the next half-year	23
12. Description of significant achievements or failures of the Budimex Group in the I half-year of 2022, key events concerning the Group’s operations and significant events after 30 June 2022	23
13. Issue, redemption and repayment of debt and equity securities	24
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 half-year report in relation to the projected results	24
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 I half-year of 2022	24
16. Proceedings pending as at 30 June 2022 before court, competent arbitration body or any public administration authority	24
17. Contingent assets and contingent liabilities	26

The BUDIMEX Group

The condensed consolidated financial statements for I half of 2022
prepared in accordance with International Financial Reporting Standards



(all amounts are expressed in PLN thousand)

Consolidated statement of financial position

ASSETS	30 June 2022 <i>not audited</i>	31 December 2021 <i>audited</i>
Non-current (long-term) assets		
Property, plant and equipment	548 330	538 612
Intangible assets	143 938	150 579
Goodwill of subordinated entities	185 749	168 508
Investments in equity accounted entities	2 314	2 270
Investments in equity instruments	8 112	8 670
Retentions for construction contracts	80 734	87 264
Trade and other receivables	23 371	27 475
Receivables from service concession agreement	46 575	46 638
Other financial assets	3 613	24
Deferred tax assets	684 224	642 373
Total non-current (long-term) assets	1 726 960	1 672 413
Current (short-term) assets		
Inventories	651 393	428 960
Trade and other receivables	1 186 518	1 217 862
Retentions for construction contracts	90 959	97 263
Valuation of construction contracts	1 097 934	729 415
Current tax assets	494	114
Other financial assets	1 907	1 496
Cash and cash equivalents	2 119 877	2 715 795
Total current (short-term) assets	5 149 082	5 190 905
TOTAL ASSETS	6 876 042	6 863 318

The BUDIMEX Group

The condensed consolidated financial statements for I half of 2022
prepared in accordance with International Financial Reporting Standards



(all amounts are expressed in PLN thousand)

Consolidated statement of financial position (cont.)

EQUITY AND LIABILITIES	30 June 2022 <i>not audited</i>	31 December 2021 <i>audited</i>
Equity		
Issued capital	145 848	145 848
Share premium	80 199	80 199
Other reserves	53 324	53 324
Cumulative translation differences	6 938	6 289
Retained earnings	635 627	1 033 580
Shareholders' equity attributable to the shareholders of the Parent	921 936	1 319 240
Equity attributable to non-controlling interests	36 022	41 767
Total equity	957 958	1 361 007
Liabilities		
Non-current (long-term) liabilities		
Loans, borrowings and other external sources of finance	131 634	155 269
Retentions for construction contracts	227 827	236 588
Provisions for long-term liabilities and other charges	617 450	616 498
Retirement benefits and similar obligations	12 580	12 580
Other financial liabilities	12 361	2 076
Deferred tax liabilities	116	830
Total non-current (long-term) liabilities	1 001 968	1 023 841
Current (short-term) liabilities		
Loans, borrowings and other external sources of finance	78 095	83 777
Trade and other payables	1 666 862	1 396 300
Retentions for construction contracts	202 978	209 962
Provisions for losses on construction contracts	746 689	514 787
Valuation of construction contracts	1 458 350	1 588 487
Deferred income	436 200	291 860
Provisions for short-term liabilities and other charges	296 979	302 474
Current tax liability	20 745	67 658
Retirement benefits and similar obligations	1 846	1 846
Other financial liabilities	7 372	21 319
Total current (short-term) liabilities	4 916 116	4 478 470
Total liabilities	5 918 084	5 502 311
TOTAL EQUITY AND LIABILITIES	6 876 042	6 863 318

The BUDIMEX Group

The condensed consolidated financial statements for I half of 2022
prepared in accordance with International Financial Reporting Standards



(all amounts are expressed in PLN thousand)

Consolidated income statement

		6-month period ended 30 June		3-month period ended 30 June	
	Note	2022	2021	2022	2021
		not audited		not audited	
Continuing operations					
Net sales of finished goods, goods for resale, raw materials and services	4, 9	3 998 229	3 241 092	2 399 243	1 996 306
Cost of finished goods, goods for resale, raw materials and services sold		(3 602 241)	(2 865 447)	(2 135 326)	(1 717 376)
Gross profit on sales		395 988	375 645	263 917	278 930
Selling expenses	4	(6 335)	(5 086)	(3 208)	(2 358)
Administrative expenses	4	(145 588)	(120 010)	(78 435)	(59 862)
Other operating income	5	21 882	43 907	10 132	8 725
Other operating expenses	5	(31 247)	(18 066)	(15 149)	(11 860)
Operating profit		234 700	276 390	177 257	213 575
Finance income	6	48 579	5 271	33 108	2 336
Finance costs	6	(21 239)	(22 130)	(10 907)	(11 072)
Share in net profits of equity accounted subordinates		44	67	36	21
Gross profit		262 084	259 598	199 494	204 860
Income tax	7	(53 434)	(51 154)	(50 300)	(42 808)
Net profit from continuing operations		208 650	208 444	149 194	162 052
Discontinued operations					
Net profit from discontinued operations		-	520 508	-	495 476
Net profit for the period		208 650	728 952	149 194	657 528
of which:					
Attributable to the shareholders of the Parent, of which:		201 238	721 205	144 863	653 690
from continuing operations		201 238	200 697	144 863	158 214
from discontinued operations		-	520 508	-	495 476
Attributable to non-controlling interests, of which:		7 412	7 747	4 331	3 838
from continuing operations		7 412	7 747	4 331	3 838
from discontinued operations		-	-	-	-
Basic and diluted earnings (loss) per share attributable to the shareholders of the Parent (in PLN), of which:					
		7.88	28.25	5.67	25.60
from continuing operations		7.88	7.86	5.67	6.20
from discontinued operations		-	20.39	-	19.40

The BUDIMEX Group

The condensed consolidated financial statements for I half of 2022
prepared in accordance with International Financial Reporting Standards



(all amounts are expressed in PLN thousand)

Consolidated statement of comprehensive income

	6-month period ended 30 June		3-month period ended 30 June	
	2022	2021	2022	2021
	<i>not audited</i>		<i>not audited</i>	
Net profit for the period	208 650	728 952	149 194	657 528
Other comprehensive income which:				
<i>Items to be reclassified to profit or loss upon satisfaction of certain conditions:</i>				
Cumulative translation differences	649	(3 033)	222	(2 070)
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	649	(3 033)	222	(2 070)
Total comprehensive income for the period, of which	209 299	725 919	149 416	655 458
Total comprehensive incomes from continuing operations for the period	209 299	205 411	149 416	159 982
Total comprehensive incomes from discontinued operations for the period	-	520 508	-	495 476
<i>of which:</i>				
Attributable to the shareholders of the Parent, of which	201 887	718 172	145 085	651 620
from continuing operations	201 887	197 664	145 085	156 144
from discontinued operations	-	520 508	-	495 476
Attributable to non-controlling interests, of which	7 412	7 747	4 331	3 838
from continuing operations	7 412	7 747	4 331	3 838
from discontinued operations	-	-	-	-

The BUDIMEX Group

The condensed consolidated financial statements for I half of 2022
prepared in accordance with International Financial Reporting Standards



(all amounts are expressed in PLN thousand)

Consolidated statement of changes in equity

	Issued capital	Share premium	Other reserves	Cumulative translation differences	Retained earnings	Equity attributable to the shareholders of the Parent, total	Non-controlling interests	Total equity
Balance as at 1 January 2022 <i>audited</i>	145 848	80 199	53 324	6 289	1 033 580	1 319 240	41 767	1 361 007
Profit for the period	-	-	-	-	201 238	201 238	7 412	208 650
Other comprehensive income	-	-	-	649	-	649	-	649
Total comprehensive income	-	-	-	649	201 238	201 887	7 412	209 299
Profit distribution - dividend	-	-	-	-	(599 191)	(599 191)	-	(599 191)
Payment of dividend to non-controlling shareholders	-	-	-	-	-	-	(13 157)	(13 157)
Balance as at 30 June 2022 <i>not audited</i>	145 848	80 199	53 324	6 938	635 627	921 936	36 022	957 958

The BUDIMEX Group

The condensed consolidated financial statements for I half of 2022
prepared in accordance with International Financial Reporting Standards



(all amounts are expressed in PLN thousand)

Consolidated statement of changes in equity (cont.)

	Issued capital	Share premium	Other reserves	Cumulative translation differences	Retained earnings	Equity attributable to the shareholders of the Parent, total	Non-controlling interests	Total equity
Balance as at 1 January 2021* <i>audited</i>	145 848	80 199	48 104	6 473	868 727	1 149 351	37 920	1 187 271
Profit for the period	-	-	-	-	721 205	721 205	7 747	728 952
Other comprehensive income	-	-	-	(3 033)	-	(3 033)	-	(3 033)
Total comprehensive income	-	-	-	(3 033)	721 205	718 172	7 747	725 919
Profit distribution - dividend	-	-	-	-	(426 352)	(426 352)	-	(426 352)
Payment of dividend to non-controlling shareholders	-	-	-	-	-	-	(11 004)	(11 004)
Balance as at 30 June 2021* <i>not audited</i>	145 848	80 199	48 104	3 440	1 163 580	1 441 171	34 663	1 475 834
Profit for the period	-	-	-	-	250 398	250 398	7 104	257 502
Other comprehensive income	-	-	5 220	2 849	-	8 069	-	8 069
Total comprehensive income	-	-	5 220	2 849	250 398	258 467	7 104	265 571
Interim dividend payment	-	-	-	-	(380 398)	(380 398)	-	(380 398)
Balance as at 31 December 2021 <i>audited</i>	145 848	80 199	53 324	6 289	1 033 580	1 319 240	41 767	1 361 007

*data was restated according to the note no. 3 to the consolidated financial statements of the Budimex Group for the year ended 31 December 2021, published on 25 March 2022

The BUDIMEX Group

The condensed consolidated financial statements for I half of 2022
prepared in accordance with International Financial Reporting Standards



(all amounts are expressed in PLN thousand)

Consolidated statement of cash flows

	6-month period ended 30 June	
	2022	2021
	not audited	
CASH FLOW FROM OPERATING ACTIVITIES		
Gross profit	262 084	895 899
from continuing operations	262 084	259 598
from discontinued operations	-	636 301
Adjustments for:		
Depreciation/ amortization	73 763	73 034
Share in net (profits) of equity accounted companies	(44)	(67)
Foreign exchange (profit)/ losses	(45)	34
Interest and shares in profits (dividends)	3 499	3 353
(Profit) on investing activities	(2 477)	(601 460)
Change in valuation of derivative financial instruments	(2 463)	(3 210)
Change in provisions and liabilities arising from retirement benefits and similar obligations	(4 543)	21 136
Other adjustments	1 446	(3 014)
Operating profit before changes in working capital	331 220	385 705
Change in receivables and retentions for construction contracts	51 489	(208 491)
Change in inventories	(222 433)	(102 733)
Change in retentions for construction contracts and in liabilities, except for loans and borrowings	261 098	371 122
Change in deferred income	144 340	(41 275)
Change in valuation of construction contracts and in provision for losses	(266 754)	(43 233)
Change in cash and cash equivalents of restricted use	(15 416)	279 773
Cash flow from operating activities	283 544	640 868
Income tax paid	(143 213)	(107 582)
NET CASH FROM OPERATING ACTIVITIES	140 331	533 286

Consolidated statement of cash flows (continued)

	6-month period ended 30 June	
	2022	2021
	not audited	
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of intangible assets and property, plant and equipment	2 151	950
Purchase of intangible assets and property, plant and equipment	(53 209)	(36 581)
Sale of a subsidiary	-	918 434
Purchase of subsidiaries	(25 336)	-
Increase in share capital in non-consolidated entities	(80)	(3 340)
Loans granted	(868)	-
Deferred payment for shares in subsidiaries	(17 700)	-
NET CASH FROM/ (USED IN) INVESTING ACTIVITIES	(95 042)	879 463
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of loans and borrowings	(6 891)	(7 233)
Payment of dividend by Budimex SA	(599 191)	(426 352)
Dividends paid to non-controlling shareholders	(13 157)	(10 024)
Payment of lease liabilities	(33 949)	(105 959)
Interest paid	(3 863)	(4 527)
Other finance expenditure	(14)	(416)
NET CASH USED IN FINANCING ACTIVITIES	(657 065)	(554 511)
TOTAL NET CASH FLOW	(611 776)	858 238
Foreign exchange differences on cash and cash equivalents, net	442	(695)
CASH AND CASH EQUIVALENTS - OPENING BALANCE (note 3.2)	2 684 885	2 081 498
CASH AND CASH EQUIVALENTS - CLOSING BALANCE (note 3.2)	2 073 551	2 939 041

The BUDIMEX Group

The condensed consolidated financial statements for I half of 2022
prepared in accordance with International Financial Reporting Standards



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

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 contracting 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 June 2022, 31 December 2021 and 30 June 2021 the following entities were subject to consolidation:

Company name	Registered office	% in the share capital as at		
		30 June 2022	31 December 2021	30 June 2021
Parent company:				
Budimex SA	Warsaw / Poland			
Subsidiaries:				
Mostostal Kraków SA	Cracow / Poland	100.00%	100.00%	100.00%
Mostostal Kraków Energetyka Sp. z o.o.	Cracow / 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%
Budimex Parking Wrocław Sp. z o.o.	Warsaw / Poland	51.00%	51.00%	51.00%
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%	100.00%
Budimex Most Wschodni SA ¹	Warsaw / Poland	100.00%	100.00%	100.00%
FBSerwis Kamieński Sp. z o.o.	Kamieński / Poland	80.00%	80.00%	80.00%
FBSerwis Paliwa Alternatywne Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	-
JZE Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	-
Circular Construction SA ²	Warsaw / Poland	100.00%	100.00%	-
Magnolia Energy Sp. z o.o ³	Warsaw / Poland	100.00%	-	-
Zakład Przetwarzania Odpadów Zawisty sp. z o.o. ⁴	Ostrołęka / Poland	100.00%	-	-

¹⁾ The company was included in the consolidation scope as of February 2022 when it started to carry out operating activities.

²⁾ The company was included in the consolidation scope as of February 2022 when it started to carry out operating activities.

³⁾ The company was included in the consolidation scope as of March 2022. Details in note 1.3.

⁴⁾ The company was included in the consolidation scope as of June 2022. Details in note 1.3.

The BUDIMEX Group

The condensed consolidated financial statements for I half of 2022
prepared in accordance with International Financial Reporting Standards



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

As at 30 June 2022, 31 December 2021 and 30 June 2021 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 June 2022	31 December 2021	30 June 2021
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 June 2022, 31 December 2021 and 30 June 2021 equity accounted companies included:

Associate	share		
	30 June 2022	31 December 2021	30 June 2021
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

In the 6-month period ended 30 June 2022 there were no other changes in the Group structure, except the ones described below.

Purchase of shares in the company Magnolia Energy Sp. z o.o.

On 22 February 2022 Budimex SA concluded with Figene Capital SA an agreement for the purchase of 28 485 shares in Magnolia Energy Sp. z o.o. with a total nominal value of PLN 1 424 thousand, representing 100.00% of the share capital and entitling to 100.00% of votes at the company's shareholders' meeting. The purchase price was set at PLN 22 125 thousand.

The company Magnolia Energy Sp. z o.o. carries out a project to build a wind farm consisting of two wind turbines with a total capacity of up to 7 MW in Drachowo in the Wielkopolskie Voivodeship. Thus, after completing the construction of the farm, the Budimex Group will start operating in the area of generating electricity from renewable energy sources. The Group presents the data of the company as service activities.

The purchase of shares in Magnolia Energy Sp. z o.o. was recognized by the Group as an acquisition of a group of assets that does not constitute a business.

Fair values at the time of purchase are presented in the table below:

Net assets identified in the acquired entity:

	22 February 2022
Non-current assets	
Property, plant and equipment	28 023
Current assets	
Trade and other receivables	1 189
Cash and cash equivalents	1
Current liabilities	
Loans, borrowings and other external sources of finance	(4 593)

The BUDIMEX Group

The condensed consolidated financial statements for I half of 2022
prepared in accordance with International Financial Reporting Standards



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

Trade and other payables	(2 495)
Acquired net assets at fair values	22 125
The purchase price for shares in Magnolia Energy Sp. z o.o.	22 125
Cash paid at acquisition date	(11 034)
Advance payment made in 2021	(3 675)
Cash and cash equivalents in the acquired entity at the time of acquisition	1
Cash outflow related to the purchase	(14 708)

A part of the payment for the shares was deferred. Therefore, the Budimex Group recognized deferred payment liabilities in the amount of PLN 7 416 thousand. The final settlement of the price will depend on the actual levels of electricity produced and sold by the company and the settlement of the company's net debt.

Purchase of shares in the company Zakład Przetwarzania Odpadów Zawisty Sp. z o.o.

On 25 May 2022, JZE Sp. z o.o., a 100% subsidiary of FBSerwis SA, concluded with 4 natural persons an agreement for the purchase of 3 600 shares in Zakład Przetwarzania Odpadów Zawisty Sp. z o.o. with a total nominal value of PLN 180 thousand, representing 100.00% of the share capital and entitling to 100.00% of votes at the company's shareholders' meeting. The purchase price was set at PLN 26 919 thousand (in nominal value).

The company operates in the field of waste processing. The Budimex Group presents the company's data as service activities. The purchase of shares in Zakład Przetwarzania Odpadów Zawisty Sp. z o.o. was recognized by the Group as an acquisition of a business.

As at the date of these condensed consolidated financial statements, the fair value of net assets was determined provisionally in accordance with IFRS 3, par. 45.

Provisional fair values at the time of purchase are presented in the table below:

The purchase price of shares at their nominal value	26 919
Discount of deferred payment for shares	(1 081)
The purchase price for shares in Zakład Przetwarzania Odpadów Zawisty Sp. z o.o.	25 838

Net assets identified in the acquired entity (determined provisionally):

	25 May 2022
Non-current assets	
Property, plant and equipment	2 773
Deferred tax assets	141
Current assets	
Trade and other receivables	2 899
Cash and cash equivalents	5 616
Current liabilities	
Loans, borrowings and other external sources of finance	(186)
Trade and other payables	(2 584)
Current tax liability	(62)
Acquired net assets at fair values determined provisionally	8 597
Goodwill identified on acquisition (provisionally established)	17 241

The BUDIMEX Group

The condensed consolidated financial statements for I half of 2022
prepared in accordance with International Financial Reporting Standards



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

Cash paid at acquisition date	(19 919)
Cash and cash equivalents in the acquired entity at the time of acquisition	5 616
Cash outflow related to the purchase	(14 303)

Goodwill identified on the acquisition (provisionally determined) amounted to PLN 17 241 thousand. The goodwill did not change in the period from the acquisition date to 30 June 2022. The goodwill was determined as the difference between the purchase price and the fair value of net assets attributable to the Budimex Group (all values recognized provisionally). The Group has not yet assessed whether the goodwill includes, inter alia, intangible assets that qualify for separate recognition. The goodwill will not be treated as tax-deductible.

Sales revenue from the acquisition date to 30 June 2022	2 144
Net profit from the acquisition date to 30 June 2022	216
Sales revenue from the beginning of the year to 30 June 2022	6 423
Net profit from the beginning of the year to 30 June 2022	8

At the acquisition date the gross value of receivables of the company was PLN 2 899 thousand, which was the fair value of those receivables.

Part of the payment for the shares has been deferred. Consequently, the Budimex Group recognized deferred payment liabilities in the amount of PLN 5 919 thousand. The final settlement of the price will be subject to fulfillment of conditions provided in the sales contract. In connection with the purchase of shares in Zakład Przetwarzania Odpadów Zawisty Sp. z o.o no indemnification assets were recognized

As at the date of the condensed consolidated financial statements, the acquisition-related costs incurred by the Budimex Group amounted to PLN 857 thousand.

Consolidation of Most Wschodni SA and Circular Construction SA

On 30 November 2021 Budimex Most Wschodni SA, as the only shareholder, established Circular Construction SA with its seat in Warsaw. The share capital in the amount of PLN 500 thousand was fully paid up. The company was registered in the National Court Register on 21 January 2022. Due to the commencement of significant operating activities, both companies were included in the consolidation scope since February 2022.

During the reporting period, no significant activities of any Group company were discontinued, and there are no formal plans to discontinue any significant activities.

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	2 353 889	9.22%	2 353 889	9.22%
Aviva OFE Aviva Santander	ordinary	2 172 000	8.51%	2 172 000	8.51%
Other shareholders	ordinary	8 202 555	32.13%	8 202 555	32.13%
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 19 May 2022.

The BUDIMEX Group

The condensed consolidated financial statements for I half of 2022
prepared in accordance with International Financial Reporting Standards



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

According to the information held by Budimex SA, the shareholding structure of Budimex SA as at 31 December 2021 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%

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 2021, published on 25 March 2022.

The interim condensed consolidated financial statements of the Budimex Group cover the period of six months ended on 30 June 2022 and contain comparative data for the period of six months ended on 30 June 2021 and as at 31 December 2021. Consolidated statement of comprehensive income and income statement and notes to the consolidated statement of comprehensive income and income statement covering data for the period of 3 months ended on 30 June 2022 and comparative data for the period of 3 months ended on 30 June 2021, were not subject to review or audit by a certified auditor.

The 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.

Amendments to standards effective in the current period

The Group for the first time adopted amendments to standards listed below:

- Amendments to IFRS 3 „Business combinations”, IAS 16 „Property, plant and equipment” and IAS 37 „Provisions, Contingent Liabilities and Contingent Assets”, Annual Improvements to IFRSs (Cycle 2018-2020).

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

Standards and 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 standards and amendments to other standards that were issued and endorsed for use in the EU, but which have not yet become effective:

- Amendments to 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 Taxes" – "Deferred tax related to assets and liabilities arising from a single transaction" (effective for annual periods beginning on or after 1 January 2023),

- IFRS 17 “Insurance contracts” and Amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023).

Standards and amendments to standards 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),
- Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” - work leading to the endorsement of these changes was postponed indefinitely - the date of amendments becoming effective was indefinitely deferred by the IASB,
- Amendments to IAS 1 “Presentation of Financial Statements” – “Classification of Liabilities as Current or Non-current” and “Classification of Liabilities as Current or Non-current - Deferral of Effective Date” (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IFRS 17 “Insurance Contracts” - “Initial Application of IFRS 17 and IFRS 9 - Comparative Information” (effective for annual periods beginning on or after 1 January 2023).

The above mentioned standards and amendments to standards would not have any material impact on the condensed 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 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.

	30 June 2022	31 December 2021	30 June 2021
Cash recognised in the statement of financial position	2 119 877	2 715 795	2 962 168
Cash and cash equivalents of restricted use	(46 326)	(30 910)	(23 127)
Cash recognised in the statement of cash flow	2 073 551	2 684 885	2 939 041

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 weather conditions and the highest revenues are usually achieved in the second and third quarter, while the lowest – in the first quarter.

In the first half-year of 2022 construction-assembly production in Poland expressed in current prices increased by 24.5% compared to the corresponding period of the previous year (an increase by 12.0% in constant prices), while sales of the construction segment of the Budimex Group on the home market increased 19.8% on the corresponding period.

The BUDIMEX Group

The condensed consolidated financial statements for I half of 2022
prepared in accordance with International Financial Reporting Standards

budimex

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

Net sales and profitability

	6 months ended			3 months ended		
	30 June 2022	30 June 2021	Change in %	30 June 2022	30 June 2021	Change in %
Net sales of finished goods and services	3 998 229	3 241 092	23.36%	2 399 243	1 996 306	20.18%
Gross profit on sales	395 988	375 645	5.42%	263 917	278 930	(5.38%)
Gross profitability on sales	9.90%	11.59%	(1.69 p.p.)	11.00%	13.97%	(2.97 p.p.)
Operating profit	234 700	276 390	(15.08%)	177 257	213 575	(17.00%)
Operating profitability	5.87%	8.53%	(2.66 p.p.)	7.39%	10.70%	(3.31 p.p.)
Gross profit on sales in construction segment	197 183	161 172	22.34%	154 401	112 359	37.42%
Gross profitability on sales in construction segment	5.43%	5.32%	0.11 p.p.	7.02%	6.08%	0.94 p.p.
Gross profit on sales in service segment	37 617	55 217	(31.87%)	22 856	32 963	(30.66%)
Gross profitability on sales in service segment	10.13%	15.33%	(5.20 p.p.)	11.14%	17.10%	(5.96 p.p.)
Gross profit	262 084	259 598	0.96%	199 494	204 860	(2.62%)
Gross profitability	6.56%	8.01%	(1.45 p.p.)	8.31%	10.26%	(1.95 p.p.)
Net profit	208 650	728 952*	(71.38%)*	149 194	657 528*	(77.31%)*
Net profitability	5.22%	22.49%*	(17.27 p.p.)*	6.22%	32.94%*	(26.72 p.p.)*

* much higher net profitability in the second quarter of 2021 resulted from the sale of Budimex Nieruchomości Sp. z o.o.

Selling expenses and administrative expenses

	6 months ended			3 months ended		
	30 June 2022	30 June 2021	Change in %	30 June 2022	30 June 2021	Change in %
Selling expenses	(6 335)	(5 086)	24.56%	(3 208)	(2 358)	36.05%
Administrative expenses	(145 588)	(120 010)	21.31%	(78 435)	(59 862)	31.03%
Total selling & administrative expenses	(151 923)	(125 096)	21.45%*	(81 643)	(62 220)	31.22%
Share of selling & administrative expenses in net sales of finished goods and services	3.80%	3.86%	(0.06 p.p.)	3.40%	3.12%	0.28 p.p.

*the increase results from a larger scale of operating activities

5. Other operating income and expenses

Other operating income

	6 months ended		3 months ended	
	30 June 2022	30 June 2021	30 June 2021	30 June 2021
Reversal of impairment write-downs against receivables	2 806	9 995	1 476	212
Reversal of provisions for compensations and liquidated damages	-	2 208	-	(10 806)
Penalties/ compensations awarded	16 217	20 795	7 467	11 286
Statute-barred liabilities written-off	1 361	468	277	171
Gains on derivative financial instruments	206	2 097	69	1 899
Subsidies received	60	1 259	24	6
Gains on the sale of non-financial non-current assets	742	5 634	594	5 302
Other	490	1 451	225	655
Total	21 882	43 907	10 132	8 725

The BUDIMEX Group

The condensed consolidated financial statements for I half of 2022
prepared in accordance with International Financial Reporting Standards



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

Other operating expenses

	6 months ended		3 months ended	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
Impairment write-downs against receivables	(8 840)	(3 343)	(6 315)	(2 443)
Compensations and liquidated damages paid	(3 718)	(11 096)	(2 179)	(9 738)
Loss on derivative financial instruments	(798)	(74)	161	885
Court charges and executions, costs of legal proceedings	(1 047)	(1 527)	(599)	(858)
Creation of provisions for compensations and liquidated damages	(25)	-	-	1 668
Creation of provisions for litigation proceedings	(12 262)	(466)	(3 784)	(466)
Donations given	(1 819)	(1 183)	(990)	(732)
Other	(2 738)	(377)	(1 443)	(176)
Total	(31 247)	(18 066)	(15 149)	(11 860)

6. Finance income and costs**Finance income**

	6 months ended		3 months ended	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
Interest earned	41 691	1 567	29 974	677
Valuation of receivables from service concession arrangement	1 439	1 440	720	720
Gains on derivative financial instruments	3 261	1 113	1 803	327
Foreign exchange gains	791	655	496	381
Other	1 397	496	115	231
Total	48 579	5 271	33 108	2 336

Finance costs

	6 months ended		3 months ended	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
Interest expense	(4 744)	(5 017)	(2 618)	(2 832)
Discount of retentions for construction contracts	(3 355)	(2 265)	(1 563)	(1 177)
Cost of bank commissions and guarantees	(12 832)	(14 225)	(6 516)	(6 792)
Loss on derivative financial instruments	(45)	(416)	38	(209)
Other	(263)	(207)	(248)	(62)
Total	(21 239)	(22 130)	(10 907)	(11 072)

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 6 months ended 30 June 2022, 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.

The BUDIMEX Group

The condensed consolidated financial statements for I half of 2022
prepared in accordance with International Financial Reporting Standards



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

7. Other important information on activity of the Budimex Group in the I half of 2022

Provisions for liabilities and other charges

	30 June 2022	31 December 2021
Provisions for litigation proceedings	43 578	31 477
Provisions for compensations and liquidated damages	161 123	175 930
Provisions for warranty repairs	609 259	617 609
Provisions for land reclamation	50 021	49 920
Other provisions	50 448	44 036
Total	914 429	918 972
<i>of which:</i>		
- long-term	617 450	616 498
- short-term	296 979	302 474

Income tax in the income statement

	30 June 2022	30 June 2021
Income tax – current	(95 861)	(66 422)
Income tax – deferred	42 427	15 268
Income tax in the income statement	(53 434)	(51 154)

Other information

	6 months ended	
	30 June 2022	30 June 2021
Reversal of impairment write-downs against inventories	-	(247)
Value of property, plant and equipment and intangible assets purchased or started to be leased:	71 189	55 834
- of which: plant and machinery	33 157	14 104

As at 30 June 2022 contractual obligations made by the Group for the purchase of property, plant and equipment amounted to PLN 48 691 thousand. As at 31 December 2021 the Group's contractual investment commitments amounted to PLN 2 863 thousand and were related to the purchase of machinery and equipment.

In the first half of 2022 Budimex Group recorded a decrease in the level of cash and cash equivalents, which is related to the payment of dividends. The Group also recorded an increase in inventories due to the earlier purchase of building materials due to their rising prices. The Group also recorded an increase in the valuation of construction contracts, due to the temporary increase in non-invoiced production, which was mainly due to the invoicing schedule for the works performed on several important contracts, where invoicing takes place after the completion of full stages of works, the so-called "Milestones".

In the first half of 2022 Budimex Group recorded an increase in short-term trade liabilities compared to 31 December 2021, which was mainly due to the seasonality of construction works and related settlements with subcontractors. The increase in the balance sheet level of provisions for losses was directly related to the revaluation of construction contracts budgets, which took into account the expected increase in construction costs. This increase was mainly related to a few contracts that are at the initial stage of execution and was mainly due to the increase in the prices of building materials. On the other hand, the increase in deferred income was due to the receipt of advance payments from investors for the implementation of construction works, mainly on road and rail contracts. Additionally the Group recorded a decrease in current income tax liabilities as a final result of tax settlement for 2021.

Apart from that, there were no other significant changes in the items of the consolidated statement of financial position.

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

The segment of service activities comprises comprehensive services in the field of with municipal waste management, comprehensive road and lighting infrastructure maintenance and technical operation (maintenance) of buildings, also in the form of public-private partnership (PPP). This segment also includes electricity generation from renewable energy sources. 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 Kamieński Sp. z o.o.
- FBSerwis Odbiór Sp. z o.o.
- FBSerwis Paliwa Alternatywne Sp. z o.o.
- JZE Sp. z o.o.
- Budimex Most Wschodni SA (included in the consolidation scope from February 2022)
- Circular Construction SA (included in the consolidation scope from February 2022)
- Magnolia Energy Sp. z o.o. (included in the consolidation scope from March 2022)
- Zakład Przetwarzania Odpadów Zawisty Sp. z o.o. (included in the consolidation scope from June 2022).

In the first half-year of 2021 the segment "property management and developer business" was included as part of discontinued operations.

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

The BUDIMEX Group

The condensed consolidated financial statements for I half of 2022
prepared in accordance with International Financial Reporting Standards

budimex

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

The results of segments for the first half of 2022 are presented in the table below:

Segment name	Construction business	Service activities	Consolidation adjustments	Consolidated value
External sales	3 629 731	368 498	-	3 998 229
Inter-segment sales	4 214	2 793	(7 007)	-
Total sales of finished goods, goods for resale and raw materials	3 633 945	371 291	(7 007)	3 998 229
Gross profit on sales	336 341	60 961	(1 314)	395 988
Selling expenses	(6 335)	-	-	(6 335)
Administrative expenses	(124 837)	(21 965)	1 214	(145 588)
Other operating income/(expenses), net	(7 986)	(1 379)	-	(9 365)
Operating profit	197 183	37 617	(100)	234 700
Finance income/(costs), net	23 341	4 202	(203)	27 340
Shares in profits of equity accounted subordinates	-	44	-	44
Income tax expense	(50 562)	(2 930)	58	(53 434)
Net profit from continued operations	169 962	38 933	(245)	208 650
Net profit from discontinued operations	-	-	-	-
Net profit for the period	169 962	38 933	(245)	208 650

The results of segments for the first half of 2021 are presented in the table below:

Segment name	Construction business	Property management and developer business	Service activities	Consolidation adjustments	Consolidated value
External sales	2 882 739	-	358 353	-	3 241 092
Inter-segment sales	146 081	-	1 885	(147 966)	-
Total sales of finished goods, goods for resale and raw materials	3 028 820	-	360 238	(147 966)	3 241 092
Gross profit on sales	242 058	-	80 636	52 951	375 645
Selling expenses	(5 086)	-	-	-	(5 086)
Administrative expenses	(107 345)	-	(19 715)	7 050	(120 010)
Other operating income/ (expenses), net	31 545	-	(5 704)	-	25 841
Operating profit	161 172	-	55 217	60 001	276 390
Finance income/ (costs), net	(16 941)	-	(35)	117	(16 859)
Shares in profits of equity accounted subordinates	-	-	67	-	67
Income tax expense	(27 752)	-	(11 980)	(11 422)	(51 154)
Net profit for the period from continuing operations	116 479	-	43 269	48 696	208 444
Net profit from discontinued operations	-	520 508	-	-	520 508
Net profit for the period	116 479	520 508	43 269	48 696	728 952

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

In the first half of 2022 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	3 591 220	-	(3 516)	3 587 704
Sales of other services	3 136	371 291	(3 491)	370 936
Sales of finished goods	33 969	-	-	33 969
Sales of goods for resale and raw materials	5 620	-	-	5 620
Total sales of finished goods, goods for resale and raw materials	3 633 945	371 291	(7 007)	3 998 229

In the first half 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	2 993 186	-	(139 541)	2 853 645
Sales of other services	9 109	360 238	(8 425)	360 922
Sales of finished goods	24 649	-	-	24 649
Sales of goods for resale and raw materials	1 876	-	-	1 876
Total sales of finished goods, goods for resale and raw materials	3 028 820	360 238	(147 966)	3 241 092

9.2. Sales revenue, by geographical area

In the first half of 2022 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	3 453 307	370 753	(7 007)	3 817 053
Germany	133 175	538	-	133 713
Other EU countries	19 475	-	-	19 475
Other countries*	27 988	-	-	27 988
Total sales of finished goods, goods for resale and raw materials	3 633 945	371 291	(7 007)	3 998 229

*other countries: Great Britain

In the first half 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	2 881 647	360 068	(147 966)	3 093 749
Germany	114 447	39	-	114 486
Other EU countries	32 726	131	-	32 857
Total sales of finished goods, goods for resale and raw materials	3 028 820	360 238	(147 966)	3 241 092

The BUDIMEX Group

The condensed consolidated financial statements for I half of 2022
prepared in accordance with International Financial Reporting Standards

budimex

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

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 first half of 2022 and the first half of 2021 were as follows:

Type of construction	Sales revenue for a 6-month period ended:	
	30 June 2022	30 June 2021
Land-engineering	1 462 986	1 092 257
Railway	751 357	730 298
General construction, of which:	1 419 602	1 206 265
- non-housing	1 292 618	966 398
- housing	126 984	239 867
Net sales of finished goods, goods for resale and raw materials – Construction business segment	3 633 945	3 028 820

10. Related party transactions

Transactions with related parties made in the first half of 2022 and in the first half of 2021 and unsettled balances of receivables and liabilities as at 30 June 2022 and 31 December 2021 are presented in the tables below:

	Receivables		Liabilities	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
Parent and its related parties (the Ferrovial Group)	-	-	32 894	23 687
Jointly controlled entities	15 323	21 312	728	1 318
Associates	9	93	14	25
Other related entities – other**	7	7	-	-
Total settlements with related parties	15 339	21 412	33 636	25 030

	Loans granted		Loans taken out	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
Other related entities – non-consolidated subsidiaries**	872	-	-	-
Total transactions with related parties	872	-	-	-

	Sales of finished goods and services & other operating income*		Purchase of finished goods and services & other operating expenses*	
	6-month period ended 30 June		6-month period ended 30 June	
	2022	2021	2022	2021
Parent and its related parties (the Ferrovial Group)	-	15	(13 792)	(13 765)
Jointly controlled entities	295	17 866	(3)	43
Associates	23	11	(362)	(638)
Other related entities - through key personnel**	-	262	-	-
Other related entities - others**	-	-	-	(44)
Total transactions with related parties	318	18 154	(14 157)	(14 404)

	Finance (costs)/ income*	
	6-month period ended 30 June	
	2022	2021
Other related entities – non-consolidated subsidiaries**	4	-
Total transactions with related parties	4	-

*) The figures presented in the note in 2021 include 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 June 2022 and 31 December 2021, the Group's companies did not have 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 half-year

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

- economic uncertainty related to the war in Ukraine,
- availability of staff and materials,
- availability and level of prices of construction materials and services affecting the level of direct costs of contracts,
- risks related to logistics and transport of construction materials,
- volatility of exchange rates, which affects the level of sales revenues and operating costs as well as the result from the valuation and settlement of foreign currency forward transactions,
- changes in interest rates that affect the level of finance interest income,
- the level of competition in public tenders,
- intensification of activities aimed at recovering overdue receivables covered by write-downs,
- 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 I half-year of 2022, key events concerning the Group's operations and significant events after 30 June 2022

In the first half of 2022 sales revenues of the Budimex Group recorded a significant increase compared to the corresponding period of the previous year (by 23,40%). In the construction segment, profitability improved mainly due to the good profitability of infrastructure and energy contracts. High value of order portfolio at the beginning of this year and favorable weather conditions were key factors behind construction segment revenue increase (20,0%) compared to corresponding period of the previous year. Moreover, part of significant contracts carried out in the design and build formula entered execution phase, which further enhances revenue in this area.

In the first half of 2022, the service segment, which financial performance is driven by FBSerwis Group, maintained revenue on a similar level as in the same period last year. At the same time, there was a decrease in the generated operating profit and gross profit. The main factor was the decline in profitability in the area of municipal waste management.

The order portfolio of the Budimex Group is profitable and ensures high workload till the end of 2023. The structure of the portfolio did not change 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 Budimex Group regularly updates the budgets of long-term contracts, and the recorded changes in material prices are included in the revised cost estimates.

The order portfolio of the Budimex Group as at 30 June 2022 amounted to PLN 11 780 852 thousand. The value of contracts signed between January and June 2022 was PLN 2 059 918 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 4 billion PLN, which gives favourable prospects for the evolution of the order portfolio in the coming quarters and builds the foundations of the business for the years 2024-2025.

At the end of the first half of 2022 the Group's cash position decreased compared to the end of 2021. A lower cash position was mainly caused by payment of dividend amounting to PLN 599 191 thousand. A series of interest rate increases, started in October 2021, resulted in an increase in the average interest rate on bank deposits. As a result,

the Group recorded a significant improvement in interest income compared to the same period last year. In the coming quarters of 2022 this trend is expected to continue.

The ongoing war in Ukraine has no direct impact on the Group's operations. The Group does not execute contracts in Ukraine, Russia and Belarus. The Budimex Group has no significant exposure to services provided by entities with Eastern capital either. Nevertheless, the reduction in imports of raw materials used in the construction sector, including iron ore, and fluctuations in oil prices have a significant impact on the functioning of the construction sector. Moreover, the sector observed an outflow of workers from Ukraine. The changes in the prices of key materials have an impact on the profitability of long-term contracts, especially those at the initial stage of execution. The significant fluctuations in steel prices may also have a direct impact on the profitability of contracts conducted by Mostostal Kraków SA.

On 26 May 2022 Budimex SA received from PGE Górnictwo i Energetyka Konwencjonalna SA a debit note in the amount of PLN 561 517 thousand, issued to a consortium of Mitsubishi Power Europe GmbH, Tecnicas Reunidas SA and Budimex SA, which had implemented a project of building a power unit at the Turów Power Plant. The note was issued to the members of the consortium as joint and several debtors. Budimex SA considers the charging of the above-mentioned penalties to be unjustified and the debit note was not recorded in the accounting books of Budimex SA.

In the period from 30 June 2022 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 first half-year of 2022 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 half-year 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 I half-year of 2022

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:

Artur Popko	(President of the Management Board)	2 031 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 2021.

16. Proceedings pending as at 30 June 2022 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 June 2022 was PLN 595 271 thousand. Excess of the value of proceedings related to claims of Group companies over proceedings against Group companies amounted to PLN 50 325 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 June 2022 was PLN 272 473 thousand. These proceedings involve the Group companies' operating activity.

The largest item in terms of the value of the subject of the dispute was the lawsuit against Budimex SA and Ferrovial Agroman SA in Madrid (currently Ferrovial Construcción SA), 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 Silesian Museum building in Katowice by the consortium was confirmed by the Claimant issuing the Work Acceptance Certificate and Implementation Certificate for the building. The Management Board assesses that the provisions for warranty repairs and court proceedings recognised beforehand fully cover the risks related to court case. Budimex SA filed its response to the claim on 31 October 2017 and supplemented it in January 2018. Ferrovial Agroman SA filed a reply to the statement of claim on 22 October 2018. The first hearing took place on 11 March 2019, during which the court ordered the parties to make an advance payment for expert fees, who has not been appointed yet. By a decision of 22 December 2021, the court suspended the proceedings as requested by the parties. Then, by a decision of 29 June 2022, at the plaintiff's request, the court resumed the proceedings, suspended in December 2021, and by a decision of 2 August 2022, the court summoned parties to start mediations, at the same time appointing a mediator for the Arbitration Court at the General Attorney of the Treasury. The parties intend to take part in mediation.

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

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

The total value of legal proceedings pending in respect of claims of Budimex SA and its subsidiaries amounted to PLN 322 798 thousand as at 30 June 2022. The proceedings relate mainly to the recovery of overdue receivables from business partners and to additional claims in respect of the construction work performed.

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

The BUDIMEX Group

The condensed consolidated financial statements for I half of 2022
prepared in accordance with International Financial Reporting Standards



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

17. Contingent assets and contingent liabilities

	30 June 2022	31 December 2021
<u>Contingent assets</u>		
From other entities		
– guarantees and sureties received	727 778	695 064
– bills of exchange received as security	20 851	5 700
From other entities, total	748 629	700 764
Other contingent assets	11 844	-
Total contingent assets	760 473	700 764
<u>Contingent liabilities</u>		
To other entities, of which:		
– guarantees and sureties issued	4 524 388	4 274 792
– promissory notes issued as performance bond	19 206	10 848
To other entities, total	4 543 594	4 285 640
Other contingent liabilities	181	181
Total contingent liabilities	4 543 775	4 285 821
Total contingent items	(3 783 302)	(3 585 057)

Contingent assets arising from guarantees and sureties represent guarantees and sureties issued by banks or other entities in favour of the 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 the 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 Group companies 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.

Guarantees and sureties issued by Budimex SA as at 30 June 2022:

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	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	128 703	2028-12-18	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.	297 605*	2029-10-15	free of charge	subsidiary
Budimex SA	Budimex Kolejnictwo SA	17 840	2027-12-31	against payment	subsidiary
Budimex SA	FBŚerwis SA	21 293	2030-07-12	against payment	subsidiary
Budimex SA	Magnolia Energy Sp. z o.o.	33 727	2023-03-31	against payment	subsidiary
Budimex SA	Budimex Bau GmbH	231	indefinitely	free of charge	subsidiary
TOTAL		499 540			

The BUDIMEX Group

The condensed consolidated financial statements for I half of 2022
prepared in accordance with International Financial Reporting Standards



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

*sureties were issued for contracts carried out by Budimex SA

Guarantees and sureties issued by Budimex SA as at 31 December 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	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	115 353	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 Kolejnictwo SA	19 076	2027-12-31	against payment	subsidiary
Budimex SA	Budimex Budownictwo Sp. z o.o.	194 794*	2029-10-15	free of charge	subsidiary
Budimex SA	FBSerwis SA	23 406	2030-07-12	against payment	subsidiary
TOTAL		352 770			

*sureties were issued for contracts carried out by Budimex SA

Warsaw, 25 August 2022

Artur Popko President of the Management Board	
Jacek Daniewski Member of the Management Board	
Marcin Węglowski Member of the Management Board	
Artur Pielech Member of the Management Board	
Grzegorz Fąfara Chief Accountant	

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.