



BUDIMEX SA

CONDENSED FINANCIAL STATEMENTS

for 1 quarter of 2023

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

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 (all amounts are expressed in PLN thousand)


Statement of financial position

ASSETS	31 March 2023 <i>unaudited</i>	31 December 2022 <i>audited</i>
Non-currents assets (long-term)		
Property, plant and equipment	185 047	192 563
Intangible assets	33 731	34 459
Investments in subsidiaries	490 762	485 513
Investments in associates	191	191
Investments in other entities	93	3 266
Other financial assets	90 557	83 740
Trade and other receivables	22 517	24 313
Retentions for construction contracts	66 645	80 269
Deferred tax assets	672 109	655 656
Total non-current assets (long-term)	1 561 652	1 559 970
Current assets		
Inventories	668 930	682 011
Trade and other receivables	825 919	801 590
Retentions for construction contracts	87 279	77 228
Valuation of construction contracts	537 711	485 840
Current income tax receivables	662	-
Other financial assets	8 675	5 475
Cash and cash equivalents	3 128 319	2 830 825
Total current assets (short-term)	5 257 495	4 882 969
TOTAL ASSETS	6 819 147	6 442 939

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Statement of financial position (cont.)

EQUITY AND LIABILITIES	31 March 2023 <i>unaudited</i>	31 December 2022 <i>audited</i>
Equity		
Issued capital	145 848	145 848
Share premium	80 199	80 199
Other reserves	57 672	57 672
Cumulative translation differences	6 328	6 323
Retained earnings	713 566	621 251
Total equity	1 003 613	911 293
Liabilities		
Long-term liabilities		
Loans, borrowings and other external sources of finance	70 635	74 274
Retentions for construction contracts	216 503	221 109
Provision for long-term liabilities and other charges	569 871	554 065
Retirement benefits and similar obligations	7 564	7 564
Other financial liabilities	6 486	6 621
Total long-term liabilities	871 059	863 633
Short-term liabilities		
Loans, borrowings and other external sources of finance	45 977	49 328
Trade and other payables	1 423 717	1 289 391
Retentions for construction contracts	203 394	205 273
Provision for construction contract losses	925 753	791 275
Valuation of construction contracts	1 352 349	1 461 856
Deferred income	723 096	551 224
Provisions for current liabilities and other charges	267 367	290 009
Current income tax payable	-	25 391
Retirement benefits and similar obligations	1 239	1 239
Other financial liabilities	1 583	3 027
Total short-term liabilities	4 944 475	4 668 013
Total liabilities	5 815 534	5 531 646
TOTAL EQUITY AND LIABILITIES	6 819 147	6 442 939

Income statement

	Note	3-month period ended 31 March	
		2023	2022
		<i>unaudited</i>	
Continuing operations			
Net sales of finished goods, goods for resale, raw materials and services	3, 7	1 620 242	1 356 692
Cost of finished goods, goods for resale, raw materials and services sold		(1 491 980)	(1 240 232)
Gross profit on sales		128 262	116 460
Selling expenses	3	(2 946)	(3 053)
Administrative expenses	3	(59 137)	(53 343)
Other operating income	4	16 575	10 950
Other operating expenses	4	(9 128)	(13 750)
Operating profit		73 626	57 264
Finance income	5	52 661	11 974
Finance costs	5	(11 547)	(8 731)
Gross profit		114 740	60 507
Income tax	6	(22 425)	(8 875)
Net profit from continuing operations		92 315	51 632
Net profit for the period		92 315	51 632

Basic and diluted earnings per share attributable to the shareholders (in PLN)

3.62

2.02

Statement of comprehensive income

	3-month period ended 31 March	
	2023	2022
		<i>unaudited</i>
Net profit for the period	92 315	51 632
Other comprehensive income for the period, which:		
<i>Items to be reclassified to profit or loss upon satisfaction of certain conditions: :</i>		
Cumulative translation differences	5	262
Deferred tax related to components of other comprehensive income	-	-
<i>Items not to be reclassified to profit or loss:</i>		
Actuarial gains/(losses)	-	-
Deferred tax related to components of other comprehensive income	-	-
Other comprehensive income, net of tax	5	262
Total comprehensive income for the period	92 320	51 894

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budimex**Statement of changes in equity**

	Issued capital	Share premium	Other reserves	Cumulative translation differences	Retained earnings	Total equity
Balance as at 1 January 2023 <i>audited</i>	145 848	80 199	57 672	6 323	621 251	911 293
Profit for the period	-	-	-	-	92 315	92 315
Other comprehensive income	-	-	-	5	-	5
Total comprehensive income for the period	-	-	-	5	92 315	92 320
Balance as at 31 March 2023 <i>unaudited</i>	145 848	80 199	57 672	6 328	713 566	1 003 613

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Statement of changes in equity (cont.)

	Issued capital	Share premium	Other reserves	Cumulative translation differences	Retained earnings	Total equity
Balance as at 1 January 2022 <i>audited</i>	145 848	80 199	55 053	5 857	760 903	1 047 860
Profit for the period	-	-	-	-	51 632	51 632
Other comprehensive income	-	-	-	262	-	262
Total comprehensive income for the period	-	-	-	262	51 632	51 894
Balance as at 31 March 2022 <i>unaudited</i>	145 848	80 199	55 053	6 119	812 535	1 099 754
Profit for the period	-	-	-	-	407 907	407 907
Other comprehensive income	-	-	2 619	204	-	2 823
Total comprehensive income for the period	-	-	2 619	204	407 907	410 730
Dividend paid	-	-	-	-	(599 191)	(599 191)
Balance as at 31 December 2022 <i>audited</i>	145 848	80 199	57 672	6 323	621 251	911 293

Cash flow statement

	3-month period ended 31 March	
	2023	2022
	<i>unaudited</i>	
CASH FLOW FROM OPERATING ACTIVITIES		
Gross profit	114 740	60 507
Adjustments for:		
Depreciation/ amortization	20 838	20 785
Foreign exchange (gains)/ losses	138	322
Interest and shares in profits (dividends)	(341)	599
(Profit)/ loss on disposal of investments	(261)	(303)
Change in valuation of derivative financial instruments	(7 841)	251
Change in provisions and liabilities arising from retirement benefits and similar obligations	(6 836)	2 834
Other adjustments	8	227
Operating profit before changes in working capital	120 445	85 222
Change in receivables and retentions for construction contracts	(18 884)	156 795
Change in inventories	13 081	(106 410)
Change in retentions for construction contracts and in liabilities, except for loans and borrowings	126 799	301 327
Change in valuation of construction contracts and provision for construction contract losses	(26 900)	72 056
Change in deferred income	171 872	76 239
Change in cash and cash equivalents of restricted use	5 119	(61 949)
Cash from operating activities	391 532	523 280
Income tax paid	(64 931)	(48 446)
NET CASH FROM OPERATING ACTIVITIES	326 601	474 834
CASH FLOW FROM INVESTING ACTIVITIES		
Sale of intangible assets and tangible fixed assets	343	476
Purchase of intangible assets and tangible fixed assets	(3 676)	(5 122)
Purchase of shares in related entities	(5 250)	(11 034)
Dividend received	255	-
Loans granted	(2 710)	(12 693)
Repayment of loans granted	-	4 593
Interest received	663	233
Proceeds from liquidation of a related entity	3 118	-
NET CASH (USED IN) INVESTING ACTIVITIES	(7 257)	(23 547)

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budimex**Cash flow statement (cont.)**

	3-month period ended 31 March	
	2023	2022
		<i>unaudited</i>
CASH FLOW FROM FINANCING ACTIVITIES		
Payment of finance lease liabilities	(15 099)	(16 196)
Interest paid	(1 370)	(876)
NET CASH (USED IN) FINANCING ACTIVITIES	(16 469)	(17 072)
NET CHANGE IN CASH AND CASH EQUIVALENTS	302 875	434 215
Foreign exchange differences, net	(262)	(30)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (note 2.2)	2 821 815	2 357 583
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (note 2.2)	3 124 428	2 791 768

1. General information

Budimex SA (the "Company", the "Issuer") with its registered office in Warsaw, ul. Siedmiogrodzka 9, is a joint-stock company entered in the Commercial Register kept by the District Court for the capital city of Warsaw, Commercial Division XIII of the National Court Register under No. KRS 0000001764.

Budimex SA is the parent company of the Budimex Group and serves as an advisory, management and financial centre.

The Company has an unlimited period of operation.

The main areas of the Company's business activities are widely understood construction and assembly services realised in the system of general contracting at home and abroad and a limited scope of trading and production.

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

2. Principles applied for the purpose of preparation of this report**2.1. Accounting policies and basis of preparing the financial statements of the Company**

These condensed interim financial statements were prepared in accordance with IAS 34 "Interim Financial Reporting" and appropriate accounting standards applicable for preparation of the interim financial statements adopted by the European Union issued and effective when preparing the interim financial statements applying the same principles for the current and comparable period. Details of accounting policies adopted by the Company were described in the financial statements of the Company for the year ended 31 December 2022, published on 31 March 2023.

As at 31 March 2023, 31 December 2022 and 31 March 2022 the Company's standalone data as part of the consortia (treated as a joint operation in accordance with IFRS 11), include also participation in assets, liabilities, revenues and costs of the following joint operations:

Joint operation	Share in the share capital and in the number of votes		
	31 March 2023	31 December 2022	31 March 2022
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 Tecnicas Reunidas SA Turów s.c	50.00%	50.00%	50.00%
ARGE Brücke Oderberg	5.00%	-	-
ARGE Brücke Wittstock	5.00%	-	-
Budimex SA Ferrovial Construccion SA sp. j.*	-	50.00%	50.00%

*on 16 November 2022 the shareholders of the company Budimex SA Ferrovial Construccion SA sp.j. passed a resolution on liquidation of the company; the liquidation was registered in the National Court Register on 13 January 2023.

Standards and amendments to standards effective in the current period

The Company for the first time adopted the following standards and amendments to standards:

- Amendments to IAS 1 „Presentation of Financial Statements” and IFRS Practice Statement 2: “Disclosure of Accounting Policies,
- Amendments to IAS 8 „Accounting Policies, Changes in Accounting Estimates and Errors”,

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- Amendments to IAS 12 „Income Taxes” - „Deferred Tax Related to Assets and Liabilities Arising From a Single Transaction”,
- IFRS 17 „Insurance contracts” and Amendments to IFRS 17,
- Amendments to IFRS 17 „Insurance Contracts” - “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”.

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

Standards and amendments to Standards adopted by the IASB, but not yet endorsed 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 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 by the EU 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”, “Classification of Liabilities as Current or Non-current — Deferral of Effective Date” and “Non-Current Liabilities with Covenants” (effective for annual periods beginning on or after 1 January 2024),
- Amendments to IFRS 16 „Leases” – “Lease Liability in a Sale and Leaseback” (effective for annual periods beginning on or after 1 January 2024).

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

2.2. Cash recognized in the cash flow statement

The Company recognizes cash of restricted use (including cash of the consortia in the portion attributable to other consortium members 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.

	31 March 2023	31 December 2022	31 March 2022
Cash recognised in the statement of financial position	3 128 319	2 830 825	2 876 066
Cash and cash equivalents of restricted use	(3 891)	(9 010)	(84 298)
Cash recognised in the statement of cash flow	3 124 428	2 821 815	2 791 768

2.3. Going concern

The financial statements of the Company were prepared on the assumption that the Company will be going concern in the foreseeable future. As at the date of preparation of the financial statements, the Management Board of the Company is not aware of any facts or circumstances that would indicate a threat to the Company's continuing activities after the reporting date, due to an intended or compulsory withdrawal from or a significant limitation in its activities.

3. 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.

Revenues and profitability

	3-month period ended		Change %
	31 March 2023	31 March 2022	
Net sales of finished goods and services	1 620 242	1 356 692	19.43%
Gross profit on sales	128 262	116 460	10.13%
Gross profitability on sales	7.92%	8.58%	(0.66 p.p.)
Operating profit	73 626	57 264	28.57%
Operating profitability	4.54%	4.22%	0.32 p.p.
Gross profit	114 740	60 507	89.63%
Gross profitability	7.08%	4.46%	2.62 p.p.
Net profit	92 315	51 632	78.79%
Net profitability	5.70%	3.81%	1.89 p.p.

Selling and administrative expenses

	3-month period ended		Change %
	31 March 2023	31 March 2022	
Selling expenses	(2 946)	(3 053)	(3.50%)
Administrative expenses	(59 137)	(53 343)	10.86%
Total selling & administrative expenses	(62 083)	(56 396)	10.08%
Share of selling & administrative expenses in net sales of finished goods and services	3.83%	4.16%	(0.33 p.p.)

4. Other operating income and expenses**Other operating income**

	3-month period ended	
	31 March 2023	31 March 2022
Gains on sale of non-financial non-current assets	309	103
Subsidies received	6	36
Reversal of impairment write-downs against receivables	5 451	1 245
Reversal of provisions for penalties and sanctions	221	-
Penalties/ compensations awarded	3 690	8 384
Statute-barred liabilities written-off	-	1 084
Gains on derivative financial instruments	6 704	-
Other	194	98
Total	16 575	10 950

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Other operating expenses

	3-month period ended	
	31 March 2023	31 March 2022
Impairment write-downs against receivables	(6 934)	(2 366)
Compensations and liquidated damages paid	(375)	(1 005)
Donations	(537)	(785)
Creation of provisions for penalties and sanctions	-	(25)
Creation of provisions for litigation	(656)	(8 478)
Loss on derivative financial instruments	-	(84)
Court charges	(406)	(305)
Other	(220)	(702)
Total	(9 128)	(13 750)

All valued derivative instrument contracts were classified as level 2 in the fair value hierarchy. During the 3 months ended 31 March 2023 and 31 March 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 the financial instruments held by the Company is close to their carrying value.

5. Finance income and finance costs**Finance income**

	3-month period ended	
	31 March 2023	31 March 2022
Interest earned	52 020	11 374
Foreign exchange gains	641	600
Total	52 661	11 974

Finance costs

	3-month period ended	
	31 March 2023	31 March 2022
Cost of bank commissions and guarantees	(6 740)	(5 875)
Discount of retentions for construction contracts	(3 314)	(1 721)
Interest expense	(1 438)	(1 113)
Loss on liquidation of a related entity	(55)	-
Other	-	(22)
Total	(11 547)	(8 731)

6. Other significant information on activity of Budimex SA in the I quarter of 2023**Provisions for liabilities and other charges**

	31 March 2023	31 December 2022
Provisions for litigation	40 562	40 128
Provisions for penalties and other sanctions	155 430	172 374
Provisions for warranty repairs	627 364	617 690
Other provisions	13 882	13 882
Total	837 238	844 074
<i>of which:</i>		
- long-term	569 871	554 065
- short-term	267 367	290 009

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Income tax in the profit and loss statement

	3-month period ended	
	31 March 2023	31 March 2022
Income tax – current	(38 878)	(69 422)
Income tax – deferred	16 453	60 547
Income tax in the profit and loss statement	(22 425)	(8 875)

Other information

	3-month period ended	
	31 March 2023	31 March 2022
Value of property, plant and equipment and intangible assets purchased or started to be leased:	13 074	10 656
- of which: plant and machinery	581	483

As at 31 March 2023, contractual liabilities of the Company for the purchase of property, plant and equipment amounted to PLN 76 thousand, while as at 31 December 2022, contractual investment liabilities amounted to PLN 2 740 thousand and mainly related to the purchase of cars.

During the first 3 months of 2023, Budimex SA recorded an increase in the level of advance payments included in deferred income, which was a direct result of the structure of the realized order portfolio and contractual provisions at individual contracts, guaranteeing the contractor an advance payment on the contract in progress (mainly on contracts in the road and rail infrastructure segment).

The increase in the level of provisions for losses results from creating provisions on difficult construction contracts, mostly in the road infrastructure segment. Budimex SA takes a responsible and conservative approach to the recognition of anticipated losses on construction contracts, immediately recognizing their effects in operating expenses. As in the previous years, the budgets of all active construction contracts will be submitted to cyclic monitoring, reviews and updates in following quarters, which will provide the basis for further revaluation of provisions for expected losses.

On the other hand, a major change in income tax settlements is due to the lack of final tax settlement for 2022 caused by the postponement of the deadline for filing the annual tax return.

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

In the first quarter of 2023 and 2022 net sales of services, goods for resale and raw materials, by type of good or service, were as follows:

Product/service type	3-month period ended	
	31 March 2023	31 March 2022
Sales of construction and assembly services	1 608 914	1 351 029
Sales of other services	3 117	5 013
Sales of goods for resale and raw materials	8 211	650
Total sales of finished goods, goods for resale, raw materials and services	1 620 242	1 356 692

In the first quarter of 2023 and 2022 net sales of services, goods for resale and raw materials, by geographical area, were as follows:

Region	3-month period ended	
	31 March 2023	31 March 2022
Poland	1 560 333	1 300 305
Germany	58 727	53 823
Slovakia	1 182	-
Other EU countries	-	2 564
Total sales of finished goods, goods for resale, raw materials and services	1 620 242	1 356 692

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In the first quarter of 2023 and 2022 net sales of services, goods for resale and raw materials by type of construction was as follows:

Type of construction	3-month period ended	
	31 March 2023	31 March 2022
Land-engineering	609 426	478 953
Railway	396 696	292 088
General construction, of which:	602 792	579 988
- non-residential	578 057	511 943
- residential	24 735	68 045
Other	11 328	5 663
Total sales of finished goods, goods for resale, raw materials and services	1 620 242	1 356 692

8. Related party transactions

Transactions with related parties made in the first quarter of 2023 and in the first quarter of 2022 and unsettled balances of receivables and liabilities as at 31 March 2023 and 31 December 2022 are presented in the tables below.

Transactions are made on an arm's length basis.

	Receivables		Liabilities	
	31 March 2023	31 December 2022	31 March 2023	31 December 2022
Parent Company and related parties (the Ferrovia Group)	-	-	24 760	24 850
Subsidiary companies	46 074	83 163	26 480	23 884
Jointly controlled entities	14 515	14 948	660	736
Total	60 589	98 111	51 900	49 470

	Loans granted		Loans taken out	
	31 March 2023	31 December 2022	31 March 2023	31 December 2022
Subsidiary companies	87 558	83 802	-	-
Total	87 558	83 802	-	-

	Sales of finished goods and services and other operating income		Purchase of finished goods and services and other operating expenses	
	3-month period ended 31 March		3-month period ended 31 March	
	2023	2022	2023	2022
Parent Company and related parties (the Ferrovia Group)	-	-	(11 798)	(6 961)
Subsidiary companies	83 608	96 900	(31 879)	(53 375)
Associates	-	-	-	(137)
Jointly controlled entities	105	77	-	-
Total	83 713	96 977	(43 677)	(60 473)

	Finance income		Finance costs	
	3-month period ended 31 March		3-month period ended 31 March	
	2023	2022	2023	2022
Subsidiary companies	1 711	278	-	-
Other related entities – other*	-	-	(55)	-
Total	1 711	278	(55)	-

*) Other related parties are controlled or jointly controlled entities or entities on which the key management person of the Company or his/her close relative exercises significant influence.

9. Description of significant achievements or failures of Budimex SA in the I quarter of 2023, key events concerning the Company's operations and significant events after 31 March 2023

In the first quarter of 2023, Budimex SA recorded a significant increase in sales revenue compared to the corresponding period of the previous year (by 19%). The increase in sales revenues was significantly influenced by a higher, diversified backlog and relatively good weather conditions. In addition, some of the road contracts carried out in the "design and build" formula entered the final phase this year, which translated into an increase in sales in this area.

The Company is consistently working on maintaining a high value of its backlog both in the railway, road, general construction and energy segments, which guarantees optimal use of production capacity in the coming quarters. During the first quarter of 2023, Budimex SA acquired new contracts with a total value of over PLN 480 million. After the end of the first quarter, contracts worth almost PLN 500 million were signed. In addition, the value of contracts in which the Company's bids are the lowest or have been rated the highest amounted to around PLN 4.8 billion, which gives preferable prospects for maintaining a high backlog in the coming quarters and builds the foundations of operations for the years 2024-2025.

Information about the most important contracts signed by the Company or those where the Company's offer was rated the highest was disclosed in the form of current reports published on the Company's website.

On 30 March 2023 Management Board of Budimex SA decided to recommend to the Ordinary General Meeting in 2023 to decide on the payment of dividend in the amount of PLN 17.99 gross per share. It is proposed to allocate part of the net profit for the period from 1 January 2022 to 31 December 2022 in the amount of PLN 459 287 thousand. The remaining part of the profit in the amount of PLN 252 thousand is proposed to be allocated to supplementary capital. Management Board of Budimex SA proposed to set the dividend day to 25 May 2023, and the dividend payment date is proposed to be 5 June 2023.

After the first quarter of 2023, the Company's cash position improved compared to the end of 2022. 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 Company recorded a significant improvement in net interest income compared to the same period last year. This trend is expected to continue in the next quarter of 2023.

The ongoing armed conflict in Ukraine has no direct impact on the Company's operations. The Company does not execute contracts in Ukraine, Russia or Belarus. Budimex has no significant exposure to services provided by entities with Eastern capital, either.

On 5 April 2023, a joint operation agreement in form of the company ARGE Oberkrämmer was signed, in which Budimex SA's share is 5%. The remaining 95% of shares are held by Budimex Bau GmbH, a 100% subsidiary of Budimex SA.

In the period from 31 March 2023 to the date of preparation of the condensed financial statements, no other significant events took place.

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

In the first quarter of 2023 Budimex SA did not issue, redeem or repay debt or equity securities.

11. Proceedings pending as at 31 March 2023 before court, competent arbitration body or any public administration authority

The total value of legal proceedings pending in respect of liabilities and receivables as at 31 March 2023 was PLN 640 533 thousand. Excess of the value of proceedings related to claims of Budimex SA over proceedings against the Company amounted to PLN 70 519 thousand.

On the basis of the information at hand, the total value of legal proceedings pending in respect of liabilities of Budimex SA as at 31 March 2023 was PLN 285 007 thousand. The proceedings pending in respect of Budimex SA relate to the operating activities of the Company.

The largest item in terms of the value of the subject of the dispute was the lawsuit against Budimex SA and Ferrovia Agroman SA in Madrid (currently Ferrovia 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. Ferrovia Agroman SA filed a reply to the statement of claim on 22 October 2018. The first hearing took place on 11 March 2019, during which the court ordered the parties to make an advance payment for expert fees. 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. On 26 August 2022 Budimex SA and Ferrovia Construcción SA agreed to mediation and the appointed mediator. The first mediation meetings were held in the first quarter of 2023.

Another legal proceedings with a material value relate to the claim filed on 5 September 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 Company – may finish in an unfavourable way, provisions were recognised in the amount that takes into account the risk estimated by the Company.

The total value of legal proceedings pending in respect of claims of Budimex SA amounted to PLN 355 526 thousand as at 31 March 2023. The proceedings mainly concern the recovery of overdue receivables from contractors and additional claims for construction works performed. As at the date of this report, the final outcome of the proceedings is not known.

12. Contingent assets and contingent liabilities

	31 March 2023	31 December 2022
Contingent assets		
From related parties, of which:	758	1 816
– bills of exchange received as security	758	1 816
From other entities, of which:	742 639	742 749
– guarantees and sureties received	670 690	667 792
– bills of exchange received as security	71 949	74 957
Other contingent assets	11 844	11 844
Total contingent assets	755 241	756 409
Contingent liabilities		
To related parties, of which:	413 100	444 413
– guarantees and sureties issued	413 100	444 413
To other entities, of which:	4 610 900	4 554 677
– guarantees and sureties issued	4 602 641	4 545 813
– promissory notes issued as performance bond	8 259	8 864
Other contingent liabilities	181	181
Total contingent liabilities	5 024 181	4 999 271
Total off-balance sheet items	(4 268 940)	(4 242 862)

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

Contingent liabilities arising from guarantees and sureties comprise mainly guarantees issued by banks to business partners of the Company to secure their claims against the Company that may arise on the grounds of executed construction contracts. The banks are entitled to recourse claims against Budimex SA under these guarantees. Guarantees issued to the investors of the Company 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 Company as probable was appropriately reflected in the warranty repair provision, as described in note 6 to these condensed financial statements.

The promissory notes issued represent security for liabilities settlement towards strategic suppliers of Budimex SA, while bills of exchange received and recognised under contingent receivables represent security for receivables payment due to the Company from their customers.

President of the Management Board

Management Board Member

Artur Popko

Marcin Węglowski

Warsaw, 10 May 2023

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