



**THE BUDIMEX GROUP**

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**for 1 quarter of 2020**

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

## The BUDIMEX Group

The condensed consolidated financial statements for I quarter of 2020  
prepared in accordance with International Financial Reporting Standards



*(all amounts are expressed in PLN thousand)*

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### Consolidated statement of financial position

<b>ASSETS</b>	<b>31 March 2020</b> <i>not audited</i>	<b>31 December 2019</b> <i>audited</i>
<b>Non-currents (long-term) assets</b>		
Property, plant and equipment	518 232	512 921
Investment properties	9 998	7 721
Intangible assets	166 927	168 822
Goodwill of subordinated entities	168 508	168 508
Investments in equity accounted entities	2 096	2 076
Investments in equity instruments	7 816	7 816
Retentions for construction contracts	45 971	59 212
Trade and other receivables	44 639	41 887
Receivables from service concession agreement	46 651	46 690
Other financial assets	423	-
Deferred tax assets	461 825	418 889
<b>Total non-current (long-term) assets</b>	<b>1 473 086</b>	<b>1 434 542</b>
<b>Current (short-term) assets</b>		
Inventories	2 137 663	2 013 756
Trade and other receivables	821 167	1 096 157
Retentions for construction contracts	59 792	48 433
Valuation of construction contracts	489 071	444 008
Current tax assets	912	108
Other financial assets	137 262	120 978
Cash and cash equivalents	1 950 005	1 515 977
<b>Total current (short-term) assets</b>	<b>5 595 872</b>	<b>5 239 417</b>
<b>TOTAL ASSETS</b>	<b>7 068 958</b>	<b>6 673 959</b>

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**Consolidated statement of financial position (cont.)**

<b>EQUITY AND LIABILITIES</b>	<b>31 March 2020</b> <i>not audited</i>	<b>31 December 2019</b> <i>audited</i>
<b>Equity</b>		
Issued capital	145 848	145 848
Share premium	87 163	87 163
Other reserves	1 180	1 180
Cumulative translation differences	8 687	7 000
Retained earnings	589 017	566 958
<b>Shareholders' equity attributable to the shareholders of the Parent</b>	<b>831 895</b>	<b>808 149</b>
<b>Equity attributable to non-controlling interests</b>	<b>30 394</b>	<b>28 491</b>
<b>Total equity</b>	<b>862 289</b>	<b>836 640</b>
<b>Liabilities</b>		
<b>Non-current (long-term) liabilities</b>		
Loans, borrowings and other external sources of finance	281 015	273 258
Retentions for construction contracts	222 833	229 522
Provision for long-term liabilities and other charges	522 199	498 422
Retirement benefits and similar obligations	14 979	14 979
Other financial liabilities	20 876	19 807
Deferred tax liabilities	13 004	13 404
<b>Total non-current (long-term) liabilities</b>	<b>1 074 906</b>	<b>1 049 392</b>
<b>Current (short-term) liabilities</b>		
Loans, borrowings and other external sources of finance	190 945	177 108
Trade and other payables	1 495 159	1 530 773
Retentions for construction contracts	214 883	215 032
Provisions for construction contract losses	244 726	240 677
Valuation of construction contracts	875 563	951 448
Deferred income	1 750 622	1 356 310
Provision for short-term liabilities and other charges	229 344	216 746
Current tax liability	126 144	96 653
Retirement benefits and similar obligations	1 877	1 877
Other financial liabilities	2 500	1 303
<b>Total current (short-term) liabilities</b>	<b>5 131 763</b>	<b>4 787 927</b>
<b>Total liabilities</b>	<b>6 206 669</b>	<b>5 837 319</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>7 068 958</b>	<b>6 673 959</b>

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### Consolidated income statement

	Note	3-month period ended 31 March	
		2020	2019
			<i>not audited</i>
<b>Continuing operations</b>			
Net sales of finished goods, goods for resale, raw materials and services	4, 9	1 474 907	1 380 257
Cost of finished goods, goods for resale, raw materials and services sold		(1 364 185)	(1 274 279)
<b>Gross profit on sales</b>		<b>110 722</b>	<b>105 978</b>
Selling expenses	4	(6 904)	(6 797)
Administrative expenses	4	(58 855)	(52 692)
Other operating income	5	23 146	11 361
Other operating expenses	5	(34 777)	(7 884)
<b>Operating profit</b>		<b>33 332</b>	<b>49 966</b>
Finance income	6	8 048	5 846
Finance costs	6	(13 186)	(10 990)
Share in net profits of equity accounted subordinates		20	458
<b>Gross profit</b>		<b>28 214</b>	<b>45 280</b>
Income tax	7	(4 252)	(16 470)
<b>Net profit from continuing operations</b>		<b>23 962</b>	<b>28 810</b>
<b>Net profit for the period</b>		<b>23 962</b>	<b>28 810</b>
<i>of which:</i>			
<b>Attributable to the shareholders of the Parent</b>		<b>22 059</b>	<b>28 538</b>
<i>Attributable to non-controlling interests</i>		1 903	272
<i>Basic and diluted earnings per share attributable to the shareholders of the Parent (in PLN)</i>		0.86	1.12

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**Consolidated statement of comprehensive income**

	3-month period ended 31 March	
	2020	2019
	<i>not audited</i>	
<b>Net profit for the period</b>	<b>23 962</b>	<b>28 810</b>
<b>Other comprehensive income which:</b>		
<i>Items to be reclassified to profit or loss upon satisfaction of certain conditions:</i>		
Cumulative translation differences	1 687	156
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	-	-
<b>Other comprehensive income</b>	<b>1 687</b>	<b>156</b>
<b>Total comprehensive income for the period</b>	<b>25 649</b>	<b>28 966</b>
<i>Of which:</i>		
<b>Attributable to the shareholders of the Parent</b>	<b>23 746</b>	<b>28 694</b>
<i>Attributable to non-controlling interests</i>	1 903	272

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### Consolidated statement of changes in equity

	Equity attributable to the shareholders of the Parent						Total	Non-controlling interests	Total equity
	Issued capital	Share premium	Other reserves		Cumulative translation differences	Retained earnings			
			Share-based payments	Actuarial gains/(losses)					
<b>Balance as at 1 January 2020</b> <i>audited</i>	145 848	87 163	7 171	(5 991)	7 000	566 958	808 149	28 491	836 640
Profit for the period	-	-	-	-	-	22 059	22 059	1 903	23 962
Other comprehensive income	-	-	-	-	1 687	-	1 687	-	1 687
<b>Total comprehensive income for the period</b>	-	-	-	-	1 687	22 059	23 746	1 903	25 649
<b>Balance as at 31 March 2020</b> <i>not audited</i>	145 848	87 163	7 171	(5 991)	8 687	589 017	831 895	30 394	862 289

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### Consolidated statement of changes in equity (cont.)

	Equity attributable to the shareholders of the Parent Company						Total	Non-controlling interests	Total equity
	Issued capital	Share premium	Other reserves		Cumulative translation differences	Retained earnings			
			Share-based payments	Actuarial gains/(losses)					
<b>Balance as at 1 January 2019</b> <i>audited</i>	145 848	87 163	7 171	(5 571)	6 947	501 783	743 341	7 136	750 477
Profit for the period	-	-	-	-	-	28 538	28 538	272	28 810
Other comprehensive income	-	-	-	-	156	-	156	-	156
<b>Total comprehensive income for the period</b>	-	-	-	-	156	28 538	28 694	272	28 966
<b>Balance as at 31 March 2019</b> <i>not audited</i>	145 848	87 163	7 171	(5 571)	7 103	530 321	772 035	7 408	779 443
Profit for the period	-	-	-	-	-	197 476	197 476	2 565	200 041
Other comprehensive income	-	-	-	(420)	(103)	-	(523)	-	(523)
<b>Total comprehensive income for the period</b>	-	-	-	(420)	(103)	197 476	196 953	2 565	199 518
Acquisition of control over associate	-	-	-	-	-	-	-	21 444	21 444
Payment of dividend by Budimex SA	-	-	-	-	-	(160 839)	(160 839)	-	(160 839)
Payment of dividend to non-controlling shareholders	-	-	-	-	-	-	-	(2 926)	(2 926)
<b>Balance as at 31 December 2019</b> <i>audited</i>	145 848	87 163	7 171	(5 991)	7 000	566 958	808 149	28 491	836 640



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**Consolidated statement of cash flows**

	3-month period ended 31 March	
	2020	2019
	<i>not audited</i>	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Net profit before tax</b>	<b>28 214</b>	<b>45 280</b>
<b>Adjustments for:</b>		
Depreciation/ amortization	32 268	18 708
Share in net (profits) of equity accounted companies	(20)	(458)
Foreign exchange (gains)/ losses	(4 329)	(21)
Interest and shares in profits (dividends)	2 312	1 157
(Profit)/ loss on investing activities	(590)	183
Change in valuation of derivative financial instruments	453	2 657
Change in provisions and liabilities arising from retirement benefits and similar obligations	36 375	7 010
Other adjustments	1 655	237
<b>Operating profit/ (loss) before changes in working capital</b>	<b>96 338</b>	<b>74 753</b>
Change in receivables and retentions for construction contracts	274 345	122 859
Change in inventories	(120 872)	(81 089)
Change in retentions for construction contracts and in liabilities, except for loans and borrowings	(41 284)	(321 868)
Change in deferred income	394 312	(112 748)
Change in valuation of construction contracts and in provision for losses	(116 899)	(171 793)
Change in cash and cash equivalents of restricted use	(118 600)	41 789
<b>Cash flow from / used in operating activities</b>	<b>367 340</b>	<b>(448 097)</b>
Income tax paid	(18 057)	(19 361)
<b>NET CASH FROM / USED IN OPERATING ACTIVITIES</b>	<b>349 283</b>	<b>(467 458)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of intangible assets and property, plant and equipment	2 208	2
Purchase of intangible assets and property, plant and equipment	(15 278)	(1 702)
Purchase of shares in joint operations	-	(73)
Purchase of bonds issued by banks	(134 392)	-
Proceeds from bonds issued by banks	119 588	-
Interest received	412	1 046
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(27 462)</b>	<b>(727)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of loans and borrowings	(2 220)	(9 275)
Loans and borrowings received	12 107	-
Payment of lease liabilities	(19 200)	(16 504)
Interest paid	(3 664)	(3 112)
Other finance expenditure	(127)	(156)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(13 104)</b>	<b>(29 047)</b>
<b>TOTAL NET CASH FLOW</b>	<b>308 717</b>	<b>(497 232)</b>
Foreign exchange differences on cash and cash equivalents, net	6 711	(6)
<b>CASH AND CASH EQUIVALENTS - OPENING BALANCE (note 3.2)</b>	<b>1 340 215</b>	<b>1 268 028</b>
<b>CASH AND CASH EQUIVALENTS - CLOSING BALANCE (note 3.2)</b>	<b>1 655 643</b>	<b>770 790</b>

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(all amounts in tables 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 execution at home and abroad, developer activities, property management, services and production. Budimex SA serves in the Group as an advisory, management and financial centre. 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 31 March 2020, 31 December 2019 and 31 March 2019 the following entities were subject to consolidation:

Company name	Registered office	% in the share capital as at		
		31 March 2020	31 December 2019	31 March 2019
<b>Parent company:</b>				
Budimex SA	Warsaw / Poland			
<b>Subsidiaries:</b>				
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 Nieruchomości Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
Budimex Budownictwo Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
SPV-PIM1 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%	49.00%
FBSerwis A Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	49.00%
FBSerwis B Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	49.00%
FBSerwis Karpatia Sp. z o.o.	Tarnów / Poland	100.00%	100.00%	49.00%
FBSerwis Wrocław Sp. z o.o.	Bielany Wrocławskie / Poland	100.00%	100.00%	49.00%
FBSerwis Dolny Śląsk Sp. z o.o.	Ścinawka Dolna / Poland	100.00%	100.00%	49.00%
FBSerwis Kamieński Sp. z o.o.	Kamieński / Poland	80.00%	80.00%	39.20%

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As at 31 March 2020, 31 December 2019 and 31 March 2019 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 (%)		
	31 March 2020	31 December 2019	31 March 2019
Budimex SA Energetyka 3 Sp.j.	100.00%	100.00%	100.00%
Budimex SA Ferrovial Agroman SA s.c.	99.98%	99.98%	99.98%
Budimex SA Cadagua SA II s.c.	99.90%	99.90%	99.90%
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 Agroman SA Sp. j.	50.00%	50.00%	50.00%
Budimex SA Tecnicas Reunidas SA Turów s.c.	50.00%	50.00%	50.00%
Budimex SA Budimex Budownictwo Sp. z o.o. s.c.	-	-	100.00%
Budimex SA Energetyka 1 Sp.j.	-	-	100.00%
Budimex SA Energetyka 2 Sp.j.	-	-	100.00%

As at 31 March 2020, 31 December 2019 and 31 March 2019 equity accounted companies included:

Associate	share		
	31 March 2020	31 December 2019	31 March 2019
FBSerwis Group	-	-	49.00%
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 3-month period ended 31 March 2020 there were no changes in the Group structure.

In the period covered by this report, no significant activities were discontinued and nor were there plans to discontinue any significant activities in the future.

## 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 Agroman International SE	ordinary	14 078 159	55.14%	14 078 159	55.14%
Aviva OFE Aviva Santander	ordinary	2 552 000	10.00%	2 552 000	10.00%
Nationale-Nederlanden OFE	ordinary	1 360 000	5.33%	1 360 000	5.33%
Other shareholders	ordinary	7 539 939	29.53%	7 539 939	29.53%
<b>Total</b>		<b>25 530 098</b>	<b>100.00%</b>	<b>25 530 098</b>	<b>100.00%</b>

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The shareholders' structure has not changed compared to data presented in the consolidated financial statements of the Group for the year ended 31 December 2019, published on 26 March 2020.

### **3. Principles applied for the purpose of preparation of this report**

#### **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 2019, published on 26 March 2020.

The consolidated financial statements were prepared on the assumption that the Parent Company and all entities included in the Budimex Group will be going concerns 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 below changes to standards:

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

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 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 European Commission's decision the endorsement process of the standard will not be initiated until the final version of the standard has been published (effective for annual periods beginning on or after 1 January 2016),
- IFRS 17 „Insurance contracts” (effective for annual periods beginning on or after 1 January 2021),
- Amendments to IFRS 3 „Business Combinations” (effective for annual periods beginning on or after 1 January 2020),
- 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 – the endorsement process has been postponed by the EU indefinitely – the effective date has been postponed by the IASB indefinitely,
- Amendments to IAS 1 „Presentation of Financial Statements” – “Classification of Liabilities as Current or Non-Current” (effective for annual periods beginning on or after 1 January 2022).

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

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### 3.2. Cash recognised in the cash flow statement

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

	31 March 2020	31 December 2019	31 March 2019
<b>Cash recognised in the statement of financial position</b>	<b>1 950 005</b>	<b>1 515 977</b>	<b>870 125</b>
Cash and cash equivalents of restricted use	(294 362)	(175 762)	(99 335)
<b>Cash recognised in the statement of cash flow</b>	<b>1 655 643</b>	<b>1 340 215</b>	<b>770 790</b>

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

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

In the first quarter of 2020 construction-assembly production in Poland expressed in current prices increased by 9.0% (an increase by 5.8% in fixed prices) compared to the corresponding period of the prior year, while sales of the construction segment of the Budimex Group on the home market were up 11.01% on the corresponding period.

#### **Net sales and profitability**

	3 months ended		Change in %
	31 March 2020	31 March 2019	
Net sales of finished goods and services	1 474 907	1 380 257	6.86%
Gross profit on sales	110 722	105 978	4.48%
<b>Gross profitability on sales</b>	<b>7.51%</b>	<b>7.68%</b>	<b>(0.17p.p.)</b>
Gross profit on sales in construction segment	97 988	71 577	36.90%
<b>Gross profitability on sales in construction segment</b>	<b>6.87%</b>	<b>5.63%</b>	<b>1.24 p.p.</b>
Gross profit on sales in developer segment	715	38 566	(98.15%)
<b>Gross profitability on sales in developer segment</b>	<b>13.39%</b>	<b>20.62%</b>	<b>(7.23 p.p.)</b>
Operating profit	33 332	49 966	(33.29%)
<b>Operating profitability</b>	<b>2.26%</b>	<b>3.62%</b>	<b>(1.36 p.p.)</b>
Net profit	23 962	28 810	(16.83%)
<b>Net profitability</b>	<b>1.62%</b>	<b>2.09%</b>	<b>(0.47 p.p.)</b>

#### **Selling expenses and administrative expenses**

	3 months ended		Change in %
	31 March 2020	31 March 2019	
Selling expenses	(6 904)	(6 797)	1.57%
Administrative expenses	(58 855)	(52 692)	11.70%
<b>Total selling &amp; administrative expenses</b>	<b>(65 759)</b>	<b>(59 489)</b>	<b>10.54%</b>
<b>Share of selling &amp; administrative expenses in net sales of finished goods and services</b>	<b>4.46%</b>	<b>4.31%</b>	<b>0.15 p.p.</b>

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### 5. Other operating income and expenses

#### Other operating income

	3 months ended	
	31 March 2020	31 March 2019
Reversal of impairment write-downs against receivables	1 619	1 027
Reversal of provisions for penalties and sanctions	7 618	1 806
Penalties/ compensations awarded	9 245	3 588
Statute-barred liabilities written-off	469	1 504
Gains on derivative financial instruments	1 088	2 734
Subsidies received	-	539
Gains on the sale of non-financial long-term assets	724	-
Reversal of other provisions	2 000	-
Other	383	163
<b>Total</b>	<b>23 146</b>	<b>11 361</b>

#### Other operating expenses

	3 months ended	
	31 March 2020	31 March 2019
Impairment write-downs against receivables	(17 338)	(1 892)
Creation of provision for penalties and sanctions	(13 386)	(3)
Creation of provision for litigation	(671)	-
Compensations and liquidated damages paid	(2 448)	(2 870)
Loss on derivative financial instruments	-	(2 406)
Donations	(677)	(195)
Other	(257)	(518)
<b>Total</b>	<b>(34 777)</b>	<b>(7 884)</b>

### 6. Finance income and costs

#### Finance income

	3 months ended	
	31 March 2020	31 March 2019
Interest earned	5 835	5 006
Valuation of receivables from service concession arrangement	719	717
Foreign exchange gains	1 484	123
Other	10	-
<b>Total</b>	<b>8 048</b>	<b>5 846</b>

#### Finance costs

	3 months ended	
	31 March 2020	31 March 2019
Interest expense	(3 296)	(2 911)
Discount of retentions for construction contracts	(1 096)	(2 012)
Cost of bank commissions and guarantees	(6 947)	(5 642)
Loss on derivative financial instruments	(1 497)	(407)
Other	(350)	(18)
<b>Total</b>	<b>(13 186)</b>	<b>(10 990)</b>

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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 3 months ended 31 March 2020, 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.

### 7. Other important information on activity of the Budimex Group in the I quarter of 2020

#### **Provisions for liabilities and other charges**

	31 March 2020	31 December 2019
Provisions for litigation	24 553	23 876
Provisions for penalties and other sanctions	127 923	122 084
Provisions for warranty repairs	514 110	480 711
Provisions for reclamation	41 391	41 396
Other provisions	43 566	47 101
<b>Total</b>	<b>751 543</b>	<b>715 168</b>
<i>of which:</i>		
- long-term	522 199	498 422
- short-term	229 344	216 746

#### **Income tax in the profit and loss statement**

	3 months ended	
	31 March 2020	31 March 2019
Income tax – current	(47 579)	(29 203)
Income tax – deferred	43 327	12 733
<b>Income tax in the profit and loss statement</b>	<b>(4 252)</b>	<b>(16 470)</b>

#### **Other information**

	3 months ended	
	31 March 2020	31 marca 2019 roku
Reversal of impairment write-downs against inventories	270	3 018
Value of property, plant and equipment, investment property and intangible assets purchased or started to be leased:	27 310	60 687
- of which: plant and machinery	7 558	4 643

As at 31 March 2020 the Group had contractual obligations for the purchase of property, plant and equipment amounted to PLN 55 513 thousand. Contractual obligations made by the Group for the purchase of property, plant and equipment as at 31 December 2019 amounted to PLN 6 912 thousand.

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### 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,
- developer and property management 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

Developer and property management segment covers preparation of land for investment projects, realization of investment projects in the field of housing construction industry, flat disposal and rental and servicing property on own account. The following Group entities were included in this segment:

- Budimex Nieruchomości Sp. z o.o.
- SPV-PIM 1 Sp. z o.o.
- Budimex SA in a part relating to developer business, as a result of merger with Budimex Inwestycje Sp. z o.o. on 13 August 2009

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

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

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



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

The results of segments for the first quarter of 2020 are presented in the table below:

Segment name	Construction business	Property management and developer business	Service activities	Consolidation adjustments	Consolidated value
External sales	1 338 926	4 919	131 062	-	1 474 907
Inter-segment sales	87 407	421	636	(88 464)	-
<b>Total sales of finished goods, goods for resale and raw materials</b>	<b>1 426 333</b>	<b>5 340</b>	<b>131 698</b>	<b>(88 464)</b>	<b>1 474 907</b>
<b>Gross profit</b>	<b>97 988</b>	<b>715</b>	<b>23 519</b>	<b>(11 500)</b>	<b>110 722</b>
Selling expenses	(2 685)	(4 219)	-	-	(6 904)
Administrative expenses	(48 047)	(3 974)	(7 259)	425	(58 855)
Other operating income/ (expenses), net	(14 185)	(26)	2 580	-	(11 631)
<b>Operating profit/ (loss)</b>	<b>33 071</b>	<b>(7 504)</b>	<b>18 840</b>	<b>(11 075)</b>	<b>33 332</b>
Finance income/(costs), net	(2 923)	(174)	(2 143)	102	(5 138)
Shares in profits of equity accounted subordinates	-	-	20	-	20
Income tax expense	(5 255)	1 419	(2 503)	2 087	(4 252)
<b>Net profit/ (loss) for the period</b>	<b>24 893</b>	<b>(6 259)</b>	<b>14 214</b>	<b>(8 886)</b>	<b>23 962</b>

The results of segments for the first quarter of 2019 are presented in the table below:

Segment name	Construction business	Property management and developer business	Service activities	Consolidation adjustments	Consolidated value
External sales	1 192 633	186 917	707	-	1 380 257
Inter-segment sales	79 132	118	1	(79 251)	-
<b>Total sales of finished goods, goods for resale and raw materials</b>	<b>1 271 765</b>	<b>187 035</b>	<b>708</b>	<b>(79 251)</b>	<b>1 380 257</b>
<b>Gross profit</b>	<b>71 577</b>	<b>38 566</b>	<b>431</b>	<b>(4 596)</b>	<b>105 978</b>
Selling expenses	(2 630)	(4 167)	-	-	(6 797)
Administrative expenses	(50 102)	(6 868)	(21)	4 299	(52 692)
Other operating income/ (expenses), net	3 421	57	(1)	-	3 477
<b>Operating profit</b>	<b>22 266</b>	<b>27 588</b>	<b>409</b>	<b>(297)</b>	<b>49 966</b>
Finance income/ (costs), net	(5 217)	151	38	(116)	(5 144)
Shares in profits of equity accounted subordinates	-	-	458	-	458
Income tax expense	(11 328)	(5 329)	109	78	(16 470)
<b>Net profit for the period</b>	<b>5 721</b>	<b>22 410</b>	<b>1 014</b>	<b>(335)</b>	<b>28 810</b>

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### 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 quarter of 2020 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	Property management and developer business	Service activities	Consolidation adjustments	Consolidated financial data
Sales of construction and assembly services	1 416 368	-	-	(86 979)	1 329 389
Sales of other services	1 333	1 075	131 698	(1 485)	132 621
Sales of finished goods	7 174	4 265	-	-	11 439
Sales of goods for resale and raw materials	1 458	-	-	-	1 458
<b>Total sales of finished goods, goods for resale and raw materials</b>	<b>1 426 333</b>	<b>5 340</b>	<b>131 698</b>	<b>(88 464)</b>	<b>1 474 907</b>

In the first quarter of 2019 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	Property management and developer business	Service activities	Consolidation adjustments	Consolidated financial data
Sales of construction and assembly services	1 249 724	-	-	(74 952)	1 174 772
Sales of other services	9 657	2 118	708	(4 299)	8 184
Sales of finished goods	10 258	182 867	-	-	193 125
Sales of goods for resale and raw materials	2 126	2 050	-	-	4 176
<b>Total sales of finished goods, goods for resale and raw materials</b>	<b>1 271 765</b>	<b>187 035</b>	<b>708</b>	<b>(79 251)</b>	<b>1 380 257</b>

#### 9.2. Sales revenue, by geographical area

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

Segment name	Construction business	Property management and developer business	Service activities	Consolidation adjustments	Consolidated financial data
Poland	1 324 975	5 340	131 668	(88 464)	1 373 519
Germany	57 131	-	30	-	57 161
Other EU countries	41 266	-	-	-	41 266
Other countries	2 961	-	-	-	2 961
<b>Total sales of finished goods, goods for resale and raw materials</b>	<b>1 426 333</b>	<b>5 340</b>	<b>131 698</b>	<b>(88 464)</b>	<b>1 474 907</b>

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

Segment name	Construction business	Property management and developer business	Service activities	Consolidation adjustments	Consolidated financial data
Poland	1 193 595	187 035	708	(79 251)	<b>1 302 087</b>
Germany	50 502	-	-	-	<b>50 502</b>
Other EU countries	27 655	-	-	-	<b>27 655</b>
Other countries	13	-	-	-	<b>13</b>
<b>Total sales of finished goods, goods for resale and raw materials</b>	<b>1 271 765</b>	<b>187 035</b>	<b>708</b>	<b>(79 251)</b>	<b>1 380 257</b>

### 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 of the Budimex Group were additionally analysed by type of construction objects. Data for the first quarter of 2020 and the first quarter of 2019 were as follows:

Type of construction	Sales revenue for a 3-month period ended:	
	31 March 2020	31 March 2019
Land-engineering	552 025	452 167
Railway	279 344	157 807
General construction, of which:	594 964	661 791
- non-residential	441 461	532 142
- residential	153 503	129 649
<b>Net sales of finished goods, goods for resale and raw materials – Construction business segment</b>	<b>1 426 333</b>	<b>1 271 765</b>

## 10. Related party transactions

Transactions with related parties made in the first quarter of 2020 and in the first quarter of 2019 and unsettled balances of receivables and liabilities as at 31 March 2020 and 31 December 2019 are presented in the tables below:

	Receivables		Liabilities	
	31 March 2020	31 December 2019	31 March 2020	31 December 2019
Parent and it related parties (the Ferrovial Group)	29	2 493	24 754	22 781
Jointly controlled entities	3 916	5 097	787	840
Associates	106	108	74	48
Other related entities – non-consolidated subsidiaries*	14	95	-	-
Other related entities – other*	4	4	-	-
Other related entities – through key personnel*	-	-	2 633	4 519
<b>Total settlements with related parties</b>	<b>4 069</b>	<b>7 797</b>	<b>28 248</b>	<b>28 188</b>

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	Sales of finished goods and services		Purchase of finished goods and services	
	3-month period ended 31 March		3-month period ended 31 March	
	2020	2019	2020	2019
Parent and it related parties (the Ferrovial Group)	-	-	(6 947)	(10 415)
Jointly controlled entities	1 905	3 637	(12)	(46)
Associates	6	77	(331)	(137)
Other related entities – non-consolidated subsidiaries*	-	-	-	-
Other related entities – through key personnel*	-	4 385	(200)	(2)
<b>Total transactions with related parties</b>	<b>1 911</b>	<b>8 099</b>	<b>(7 490)</b>	<b>(10 600)</b>

	Finance income		Finance costs	
	3-month period ended 31 March		3-month period ended 31 March	
	2020	2019	2020	2019
Parent and it related parties (the Ferrovial Group)	-	-	-	(12)
Associates	-	1 046	-	-
<b>Total transactions with related parties</b>	<b>-</b>	<b>1 046</b>	<b>-</b>	<b>(12)</b>

\*) 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.

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

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

The main factors that may affect the financial situation of the Group at least in the next quarter include:

- general economic uncertainty associated with the coronavirus epidemic,
- availability of employees,
- risks related to logistics and transport of building materials,
- fluctuations of exchange rates, which have the impact on the sales revenue, operating costs and result of the valuation and realization of derivative financial instrument contracts,
- high demand for subcontractors' services, which might have influence on quality and timeliness of the works performed,
- price level of materials and construction services affecting the amount of direct costs of realised contracts,
- level of competition in public tenders,
- intensification of actions aimed at recovery of overdue debts, which were provided for and strengthening the operational and financial control in respect of contracts realised,
- results of the pending legal proceedings, described in more detail in note 16 to these consolidated financial statements,
- changes of tax regulations affecting the construction sector.

### **12. Description of significant achievements or failures of the Budimex Group in the I quarter of 2020, key events concerning the Group's operations and significant events after 31 March 2020**

In the first quarter of 2020 the results of the Budimex Group were weaker than in the corresponding period of the previous year. Decrease in the profitability concerned mainly the developer segment and was a consequence of low number of signed notarial deeds. Significant decrease in the notarial deeds' number is a result of the schedules of the developer's investment projects and also, in the second half of March, an implication of the restrictions introduced due

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to the coronavirus outbreak. Number of flats presold in period January-March 2020 (without reservations) increased to 541 units compared to 265 units in the same period of the previous year.

Profitability improvement of the construction segment resulted mainly from the completion of the difficult contracts signed 2-3 years ago, which were carried out in the environment of the progressive cost inflation. In addition, favorable weather conditions positively affected the efficiency of realization of the projects despite the winter season, which also resulted in the relatively high sales revenues in the analyzed period.

The order portfolio of the Budimex Group is profitable and ensures adequate workload for subsequent quarters. In the recent quarters the Group significantly increased the value of the order portfolio in the railway segment, which will allow to optimize production capacity in the railway segment in the upcoming quarters.

The order portfolio as at 31 March 2020 amounted to PLN 11 970 570 thousand. The value of contracts signed in the period January – March 2020 amounted to PLN 2 318 009 thousand.

The cash position of the Budimex Group is stable and allows for uninterrupted operation. Due to the difficult market situation, earlier payments for subcontractors and suppliers are consistently offered.

State of epidemic, which was introduced in Poland on 20 March 2020, did not significantly affect the financial parameters of Budimex Group for the first quarter of 2020. Threat related to the spread of the coronavirus resulted in changes to work organization rules, among others by the introduction of possibility of telework, providing disinfection measures for employees or reorganization of the office space to ensure compliance with the recommendations of the Main Sanitary Inspectorate.

Until the moment of preparation of these consolidated financial statements, coronavirus outbreak did not have significant impact on the Group's operating activity.

In the period from 31 March 2020 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 quarter of 2020 Budimex SA and Group companies did not issue, redeem or repay debt or equity securities.

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

Budimex SA did not publish any forecasts.

### **15. Statement of ownership of shares of Budimex SA or rights to such shares (options) held by the managing or supervisory persons of Budimex SA as at the date of publication of this report together with indication of changes in the ownership in the I quarter of 2020**

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

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

Above mentioned members of the Management Board and Supervisory Board do not own share options of the company. As at the date of publication of this report other managing and supervisory persons of Budimex SA do not hold its shares or share options. There was no change in the status of ownership from the date of publication of the annual report for the year 2019, i.e. 26 March 2020.

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### **16. Proceedings pending as at 31 March 2020 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 31 March 2020 was PLN 454 622 thousand. Excess of the value of proceedings against Group companies over proceedings relating to claims of Group companies amounted to PLN 62 156 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 31 March 2020 was PLN 258 389 thousand. These proceedings involve the Group companies' operating activity.

The largest claim in dispute was submitted on 24 July 2017 by Muzeum Śląskie in Katowice against Budimex SA and Ferrovial Agroman SA, operating as a consortium, in connection with the performance of the contract called „Construction of new premises of Muzeum Śląskie in Katowice” concluded on 7 June 2011. The claimant requested that either the amount of PLN 122 758 thousand, together with statutory interest calculated as of the date of claim filing, was awarded jointly and severally against the defendants towards undue performance of the contract, or the defendants were ordered to reduce contract transaction price by the amount of PLN 34 675 thousand being the reimbursement of the unfairly, as stated by the claimant, paid contract consideration. Art. 471 of the Civil Code was named as the basis for the principal claim, while the provisions of contractor warranty for defects in the constructed facility – for the alternative claim (*żądanie ewentualne*).

In the opinion of the Management Board of Budimex SA, the claim is unjustified. The irregularities, if any, which the claimant names as the basis for its action do not result from contract performance or undue performance by the consortium. In addition, due contract performance was confirmed by the claimant by the issued Certificate of Acquisition and Certificate of Completion of premises of Muzeum Śląskie in Katowice. In the opinion of the Management Board, the reported provisions cover the risks related to contract performance. Budimex SA filed its reply to said claim on 31 October 2017. It was supplemented by Budimex SA in January 2018. Ferrovial Agroman SA files its request to the claim on 22 October 2018. The first hearing took place on 11 March 2019, during which the court obliged the parties to pay an advance towards the remuneration of the research institute, which will prepare an opinion on the case. As at the date of the report, the date of the next hearing is not known.

Another 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 share of the companies in the consortium was 90%, therefore the value of the claim for which Budimex SA is presently 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. The appeal against court decision was filed both by the claimant (as regards the entire claim), and the defendant (as regards the part of the verdict regarding 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 the preparation of these consolidated financial statements, 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 196 233 thousand as at 31 March 2020. 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 these consolidated financial statements, the final outcome of the proceedings is not known.

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### 17. Contingent assets and contingent liabilities

	31 March 2020	31 December 2019
<b><u>Contingent assets</u></b>		
<b>From other entities, of which:</b>		
– guarantees and sureties received	595 374	571 994
– bills of exchange received as security	2 552	5 079
<b>From other entities, total</b>	<b>597 926</b>	<b>577 073</b>
<b>Total contingent assets</b>	<b>597 926</b>	<b>577 073</b>
<b><u>Contingent liabilities</u></b>		
<b>To other entities, of which:</b>		
– guarantees and sureties issued	4 167 880	3 904 245
– promissory notes issued as performance bond	43 834	117 293
<b>To other entities, total</b>	<b>4 211 714</b>	<b>4 021 538</b>
<b>Other contingent liabilities</b>	<b>167</b>	<b>167</b>
<b>Total contingent liabilities</b>	<b>4 211 881</b>	<b>4 021 705</b>
<b>Total contingent items</b>	<b>(3 613 955)</b>	<b>(3 444 632)</b>

Contingent assets arising from guarantees and sureties represent guarantees issued by banks or other entities in favour of Budimex Group companies serving as security for the Group's claims 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 Group companies to secure their claims against the Group companies that may arise on the grounds of executed construction contracts. The banks are entitled to recourse claims against Group companies under these guarantees. Guarantees issued to the investors of the Group represent an alternative, to the retentions held, method of securing potential investor claims relating to construction contracts. At the same time, the risk relating to warranty repairs assessed by the Management Board of the Group as probable was appropriately reflected in the warranty repair provision, as described in note 7 to these condensed consolidated financial statements.

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

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

Name of the company which issued a guarantee or surety	Name of the (company) entity which received a surety or a guarantee	Total value of guarantees or sureties issued	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	121 279	2027-04-18	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.	288 305*	2029-10-15	free of charge	subsidiary
Budimex SA	Budimex Nieruchomości Sp. z o.o.	6	2023-03-18	against payment	subsidiary
Budimex SA	Budimex Bau GmbH	46	2020-12-31	free of charge	subsidiary
Budimex SA	Budimex Kolejnictwo SA	75 260	2027-08-31	against payment	subsidiary
Budimex SA	FBSerwis SA	39 908	2029-11-30	against payment	subsidiary
<b>TOTAL</b>		<b>524 945</b>			

\*sureties were issued for contracts realised by Budimex SA

**President of the Management Board**

**Management Board Member**

**Dariusz Blocher**

**Marcin Węglowski**

Warsaw, 27 April 2020

*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.*