



THE BUDIMEX GROUP

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for III quarters of 2020

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

The BUDIMEX Group

The condensed consolidated financial statements for III quarters of 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

ASSETS	30 September 2020 <i>not audited</i>	31 December 2019 <i>audited</i>
Non-current (long-term) assets		
Property, plant and equipment	540 979	512 921
Investment properties	9 920	7 721
Intangible assets	162 518	168 822
Goodwill of subordinated entities	168 508	168 508
Investments in equity accounted entities	2 149	2 076
Investments in equity instruments	8 046	7 816
Retentions for construction contracts	42 548	59 212
Trade and other receivables	30 971	41 887
Receivables from service concession agreement	46 635	46 690
Other financial assets	92	-
Deferred tax assets	511 423	418 889
Total non-current (long-term) assets	1 523 789	1 434 542
Current (short-term) assets		
Inventories	1 963 117	2 013 756
Trade and other receivables	900 168	1 096 157
Retentions for construction contracts	24 026	48 433
Valuation of construction contracts	757 902	444 008
Current tax assets	312	108
Other financial assets	2 046	120 978
Cash and cash equivalents	2 428 286	1 515 977
Total current (short-term) assets	6 075 857	5 239 417
TOTAL ASSETS	7 599 646	6 673 959

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Consolidated statement of financial position (cont.)

EQUITY AND LIABILITIES	30 September 2020 <i>not audited</i>	31 December 2019 <i>audited</i>
Equity		
Issued capital	145 848	145 848
Share premium	87 163	87 163
Other reserves	1 080	1 180
Cumulative translation differences	7 166	7 000
Retained earnings	707 602	566 958
Shareholders' equity attributable to the shareholders of the Parent	948 959	808 149
Equity attributable to non-controlling interests	33 590	28 491
Total equity	982 549	836 640
Liabilities		
Non-current (long-term) liabilities		
Loans, borrowings and other external sources of finance	263 975	273 258
Retentions for construction contracts	236 523	229 522
Provision for long-term liabilities and other charges	590 078	498 422
Retirement benefits and similar obligations	14 979	14 979
Other financial liabilities	22 304	19 807
Deferred tax liabilities	8 528	13 404
Total non-current (long-term) liabilities	1 136 387	1 049 392
Current (short-term) liabilities		
Loans, borrowings and other external sources of finance	186 779	177 108
Trade and other payables	1 748 927	1 530 773
Retentions for construction contracts	212 573	215 032
Provisions for construction contract losses	346 294	240 677
Valuation of construction contracts	1 095 726	951 448
Deferred income	1 510 026	1 356 310
Provision for short-term liabilities and other charges	232 569	216 746
Current tax liability	144 310	96 653
Retirement benefits and similar obligations	1 877	1 877
Other financial liabilities	1 629	1 303
Total current (short-term) liabilities	5 480 710	4 787 927
Total liabilities	6 617 097	5 837 319
TOTAL EQUITY AND LIABILITIES	7 599 646	6 673 959

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Consolidated income statement

	Note	9-month period ended 30 September		3-month period ended 30 September	
		2020 <i>not audited</i>	2019 <i>not audited</i>	2020 <i>not audited</i>	2019 <i>not audited</i>
Continuing operations					
Net sales of finished goods, goods for resale, raw materials and services	4, 9	6 169 346	5 382 556	2 434 910	2 134 135
Cost of finished goods, goods for resale, raw materials and services sold		(5 567 551)	(5 028 765)	(2 160 666)	(1 989 725)
Gross profit on sales		601 795	353 791	274 244	144 410
Selling expenses	4	(20 974)	(21 980)	(7 187)	(7 892)
Administrative expenses	4	(181 681)	(128 347)	(58 308)	(21 259)
Other operating income	5	84 687	63 746	29 659	23 263
Other operating expenses	5	(114 544)	(43 671)	(25 734)	(26 365)
Operating profit		369 283	223 539	212 674	112 157
Finance income	6	17 879	18 245	(3 566)	5 403
Finance costs	6	(36 805)	(33 296)	(11 297)	(12 256)
Share in net profits of equity accounted subordinates		73	4 777	31	17
Gross profit		350 430	213 265	197 842	105 321
Income tax	7	(85 770)	(74 227)	(47 673)	(38 816)
Net profit from continuing operations		264 660	139 038	150 169	66 505
Net profit for the period		264 660	139 038	150 169	66 505
<i>of which:</i>					
Attributable to the shareholders of the Parent		257 061	137 136	146 487	65 032
Attributable to non-controlling interests		7 599	1 902	3 682	1 473
<i>Basic and diluted earnings per share attributable to the shareholders of the Parent (in PLN)</i>		<i>10.07</i>	<i>5.37</i>	<i>5.74</i>	<i>2.55</i>

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Consolidated statement of comprehensive income

	9-month period ended 30 September		3-month period ended 30 September	
	2020	2019	2020	2019
	<i>not audited</i>		<i>not audited</i>	
Net profit for the period	264 660	139 038	150 169	66 505
Other comprehensive income which:				
<i>Items to be reclassified to profit or loss upon satisfaction of certain conditions:</i>				
Cumulative translation differences	166	666	(209)	553
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, net	166	666	(209)	553
Total comprehensive income for the period	264 826	139 704	149 960	67 058
<i>Of which:</i>				
Attributable to the shareholders of the Parent	257 227	137 802	146 278	65 585
<i>Attributable to non-controlling interests</i>	<i>7 599</i>	<i>1 902</i>	<i>3 682</i>	<i>1 473</i>

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Consolidated statement of changes in equity

	Equity attributable to the shareholders of the Parent					Retained earnings	Total	Non-controlling interests	Total equity
	Issued capital	Share premium	Other reserves		Cumulative translation differences				
			Share-based payments	Actuarial gains/(losses)					
Balance as at 1 January 2020 <i>audited</i>	145 848	87 163	7 171	(5 991)	7 000	566 958	808 149	28 491	836 640
Profit for the period	-	-	-	-	-	257 061	257 061	7 599	264 660
Other comprehensive income	-	-	-	-	166	-	166	-	166
Total comprehensive income	-	-	-	-	166	257 061	257 227	7 599	264 826
Payment of dividend by Budimex SA	-	-	-	-	-	(116 417)	(116 417)	-	(116 417)
Payment of dividend to non-controlling shareholders	-	-	-	-	-	-	-	(2 500)	(2 500)
Balance as at 30 September 2020 <i>not audited</i>	145 848	87 163	7 171	(5 991)	7 166	707 602	948 959	33 590	982 549

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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)					
Balance as at 1 January 2019 <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	-	-	-	-	-	137 136	137 136	1 902	136 038
Other comprehensive income	-	-	-	-	666	-	666	-	666
Total comprehensive income	-	-	-	-	666	137 136	137 802	1 902	139 704
Payment of dividend by Budimex SA	-	-	-	-	-	(160 839)	(160 839)	-	(160 839)
Payment of dividend to non-controlling shareholders	-	-	-	-	-	-	-	(1 176)	(1 176)
Acquisition of control over an associate	-	-	-	-	-	-	-	12 525	12 525
Balance as at 30 September 2019 <i>not audited</i>	145 848	87 163	7 171	(5 571)	7 613	478 080	720 304	20 387	740 691
Profit for the period	-	-	-	-	-	88 878	88 878	935	89 813
Other comprehensive income	-	-	-	(420)	(613)	-	(1 033)	-	(1 033)
Total comprehensive income	-	-	-	(420)	(613)	88 878	87 845	935	88 780
Final settlement of the acquisition of control over an associate	-	-	-	-	-	-	-	8 919	8 919
Payment of dividend to non-controlling shareholders	-	-	-	-	-	-	-	(1 750)	(1 750)
Balance as at 31 December 2019 <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

	9-month period ended 30 September	
	2020	2019
	<i>not audited</i>	
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	350 430	213 265
Adjustments for:		
Depreciation/ amortization	100 252	71 766
Share in net (profits)/ losses of equity accounted companies	(73)	(4 777)
Foreign exchange (gains)/ losses	1 205	(506)
Interest and shares in profits (dividends)	6 384	5 024
(Profit)/ loss on investing activities	(1 335)	(2 643)
Change in valuation of derivative financial instruments	461	4 220
Change in provisions and liabilities arising from retirement benefits and similar obligations	107 479	70 424
Other adjustments	546	538
Operating profit before changes in working capital	565 349	357 311
Change in receivables and retentions for construction contracts	218 055	(240 927)
Change in inventories	50 761	(254 081)
Change in retentions for construction contracts and in liabilities, except for loans and borrowings	223 932	(67 537)
Change in deferred income	153 716	182 143
Change in valuation of construction contracts and in provision for losses	(63 999)	(153 921)
Change in cash and cash equivalents of restricted use	(1 075)	(3 922)
Cash flow from/ (used in) operating activities	1 146 739	(180 934)
Income tax paid	(135 024)	(27 770)
NET CASH FROM/ (USED IN) OPERATING ACTIVITIES	1 011 715	(208 704)

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Consolidated statement of cash flows (continued)

	9-month period ended 30 September	
	2020	2019
	<i>not audited</i>	
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of intangible assets and property, plant and equipment	5 381	2 781
Proceeds from sale of investment property	30 000	4 365
Purchase of intangible assets and property, plant and equipment	(42 253)	(19 297)
Purchase of investment property	-	(7 759)
Purchase of shares in related entities	-	(44 365)
Purchase of shares in non-consolidated and jointly controlled entities	(230)	(143)
Purchase of bonds issued by banks	(269 079)	-
Proceeds from redemption of bonds issued by banks	388 667	-
Dividends received	-	2
Interest received	1 333	2 103
NET CASH FROM/ (USED IN) INVESTING ACTIVITIES	113 819	(62 313)
CASH FLOW FROM FINANCING ACTIVITIES		
Loans and borrowings received	4 359	13 655
Repayment of loans and borrowings	(29 524)	(88 858)
Dividends paid to the shareholders of the Parent	(116 417)	(160 839)
Dividends paid to non-controlling shareholders	(2 500)	(1 176)
Payment of lease liabilities	(60 213)	(52 181)
Interest paid	(10 498)	(10 122)
Other finance expenditure	(492)	(484)
NET CASH FROM/ (USED IN) FINANCING ACTIVITIES	(215 285)	(300 005)
TOTAL NET CASH FLOW	910 249	(571 022)
Foreign exchange differences on cash and cash equivalents, net	985	483
CASH AND CASH EQUIVALENTS - OPENING BALANCE (note 3.2)	1 340 215	1 268 028
CASH AND CASH EQUIVALENTS - CLOSING BALANCE (note 3.2)	2 251 449	697 489

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

1.1. The Parent Company

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

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

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

1.2. Entities subject to consolidation

As at 30 September 2020, 31 December 2019 and 30 September 2019 the following entities were subject to consolidation:

Company name	Registered office	% in the share capital as at		
		30 September 2020	31 December 2019	30 September 2019
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 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%
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 Kamieński Sp. z o.o.	Kamieński / Poland	80.00%	80.00%	80.00%
SPV-PIM1 Sp. z o.o. *	Warsaw / Poland	-	100.00%	100.00%

* 26.05.2020 the company was merged with Budimex Nieruchomości Sp. z o.o.

As at 30 September 2020, 31 December 2019 and 30 September 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 (%)		
	30 September 2020	31 December 2019	30 September 2019
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%

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Joint operation name	Share in the issued capital and in the number of votes (%)		
	30 September 2020	31 December 2019	30 September 2019
Budimex SA Sygnity SA sp.j.	67.00%	67.00%	67.00%
Budimex SA Ferroviał Construcción 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 Energetyka 3 sp.j.**	-	100.00%	100.00%
Budimex SA Ferroviał Agroman SA s.c. ***	-	99.98%	99.98%
Budimex SA Cadagua SA II s.c.****	-	99.90%	99.90%

* on 22 July 2020 the company changed its name to Budimex SA Ferroviał Construcción SA sp.j., based on a resolution of its partners,

** on 30 June 2020, the partners of the company Budimex SA Energetyka 3 sp. j. adopted a resolution on liquidation of the company without conducting liquidation proceedings,

*** on 31 August 2020 the partners of the company Budimex SA Ferroviał Agroman SA s.c. agreed on the dissolution of the company, due to the achievement of the economic purpose for which the company was founded,

**** on 15 June 2020 the partners of the company Budimex SA Cadagua SA II s.c. agreed on the dissolution of the company on 30 June 2020, due to the achievement of the economic purpose for which the company was founded.

As at 30 September 2020, 31 December 2019 and 30 September 2019 equity accounted companies included:

Entity name	Share		
	30 September 2020	31 December 2019	30 September 2019
Promos Sp. z o.o.	26.31%	26.31%	26.31%

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

On 26 May 2020 SPV-PIM 1 Sp. z o.o. was merged with Budimex Nieruchomości Sp. z o.o.

On 15 June 2020 the partners of Budimex SA Cadagua SA II s.c. agreed on the dissolution of the company on 30 June 2020 due to the achievement of the economic goal for which the company was founded.

On 25 June 2020 a new company, FBSerwis Odbior Sp. z o.o., was registered. It was not consolidated as at 30 September 2020 due to the lack of operating activities.

On 30 June 2020 the shareholders of Budimex SA Energetyka 3 sp. j. adopted a resolution to liquidate the company without conducting liquidation proceedings. On 26 August 2020 it was removed from the National Court Register.

On 22 July 2020 Budimex SA Ferroviał Agroman SA s.j. by a resolution of shareholders, it changed its name to Budimex SA Ferroviał Construcción SA sp.j.

On 31 August 2020 the shareholders of Budimex SA Ferroviał Agroman SA s.c. adopted a resolution on dissolution of the company due to achievement of the economic goal for which the company was founded.

In the 9-month period ended 30 September 2020 there were no other changes in the Group's 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.

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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%
Aviva OFE Aviva Santander	ordinary	2 552 000	10.00%	2 552 000	10.00%
Nationale-Nederlanden OFE	ordinary	1 618 000	6.34%	1 618 000	6.34%
Other shareholders	ordinary	8 558 444	33.52%	8 558 444	33.52%
Total		25 530 098	100.00%	25 530 098	100.00%

*Ferrovia Agroman International SE changed its name to Ferrovial Construction International SE.

According to the information held by Budimex SA, the shareholding structure of Budimex SA as at 31 December 2019 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%
Total		25 530 098	100.00%	25 530 098	100.00%

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 consolidated 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 applied for the first time in 2020

- Amendments to IFRS 9 „Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement” and IFRS 7 “Financial Instruments: Disclosures” – Interest Rate Benchmark Reform;
- Amendments to IAS 1 „Presentation of Financial Statements” and IAS 8 „Accounting Policies, Changes in Accounting Estimates and Errors” – Definition of Materiality;
- Amendments to References to the Conceptual Framework in IFRS Standards,
- Amendments to IFRS 3 „Business Combinations”,
- Amendments to IFRS 16 „Leases” Covid 19-Related Rent Concessions.

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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 2023),
- Amendments to IFRS 10 „Consolidated financial statements” and IAS 28 „Investments in associates and joint ventures” – Sale or contribution of assets between an investor and its associate or joint venture – 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 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 3 „Business Combinations”, IAS 16 „Property, Plant and Equipment” and IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” (effective for annual periods beginning on or after 1 January 2022),
- Annual Improvements to IFRSs (Cycle 2018-2020), effective for annual periods beginning on or after 1 January 2022,
- Amendments to IFRS 4 „Insurance Contracts” – deferral of IFRS 9 (effective for annual periods beginning on or after 1 January 2021),
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (effective for annual periods beginning on or after 1 January 2021).

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

3.2. Cash recognised in the cash flow statement

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

	30 September 2020	31 December 2019	30 September 2019
Cash recognised in the statement of financial position	2 428 286	1 515 977	842 535
Cash and cash equivalents of restricted use	(176 837)	(175 762)	(145 046)
Cash recognised in the statement of cash flow	2 251 449	1 340 215	697 489

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.

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In the 9-month period of 2020 construction-assembly production in Poland expressed in current prices increased by 1,0% (a decrease by 1.6% 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 7.3% on the corresponding period.

Net sales and profitability

	9 months ended			3 months ended		
	30 September 2020	30 September 2019	Change in %	30 September 2020	30 September 2019	Change in %
Net sales of finished goods and services	6 169 346	5 382 556	14.62%	2 434 910	2 134 135	14.09%
Gross profit on sales	601 795	353 791	70.10%	274 244	144 410	89.91%
Gross profitability on sales	9.75%	6.57%	3.18 p.p.	11.26%	6.77%	4.49 p.p.
Gross profit on sales in construction segment	402 279	259 474	55.04%	171 470	108 435	58.13%
Gross profitability on sales in construction segment	7.30%	5.05%	2.25 p.p.	8.05%	5.39%	2.66 p.p.
Gross profit on sales in developer segment	150 241	99 239	51.39%	75 816	28 954	161.85%
Gross profitability on sales in developer segment	27.16%	23.49%	3.67 p.p.	27.23%	26.43%	0,80 p.p.
Operating profit	369 283	223 539	65.20%	212 674	112 157	89.62%
Operating profitability	5.99%	4.15%	1.84 p.p.	8.73%	5.26%	3.47 p.p.
Net profit	264 660	139 038	90.35%	150 169	66 505	125.80%
Net profitability	4.29%	2.58%	1.71 p.p.	6.17%	3.12%	3.05 p.p.

Selling expenses and administrative expenses

	9 months ended			3 months ended		Change in %
	30 September 2020	30 September 2019	Change in %	30 September 2020	30 September 2019	
Selling expenses	(20 974)	(21 980)	(4.58%)	(7 187)	(7 892)	(8.93%)
Administrative expenses	(181 681)	(128 347)*	41.55%	(58 308)	(21 259)*	174.27%
Total selling & administrative expenses	(202 655)	(150 327)	34.81%	(65 495)	(29 151)	124.67%
Share of selling & administrative expenses in net sales of finished goods and services	3.28%	2.79%	0.49 p.p.	2.69%	1.37%	1.32 p.p.

*the amounts include an adjustment of the license fee of PLN 34 818 thousand.

5. Other operating income and expenses

Other operating income

	9 months ended		3 months ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
Reversal of impairment write-downs against receivables	2 476	8 095	714	776
Reversal of provisions for penalties and sanctions	48 388	13 112	18 649	5 841
Penalties/ compensations awarded	25 543	29 604	8 530	15 770
Statute-barred liabilities written-off	638	4 707	213	329
Gains on derivative financial instruments	1 781	3 656	1 132	81
Subsidies received	127	539	127	-
Gains on the sale of non-financial non-current assets	1 891	3 317	154	44
Reversal of other provisions	2 000	-	-	-
Other	1 843	716	140	422
Total	84 687	63 746	29 659	23 263

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Other operating expenses

	9 months ended		3 months ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
Impairment write-downs against receivables	(33 651)	(3 095)	(8 600)	343
Compensations and liquidated damages paid	(20 454)	(6 717)	(2 607)	(2 552)
Impairment write-downs against inventories	(3 895)	-	(3 895)	-
Loss on derivative financial instruments	-	(3 087)	227	332
Court charges	(915)	(1 787)	(379)	(653)
Creation of provisions for penalties and sanctions	(50 455)	(27 798)	(9 363)	(23 204)
Donations	(3 178)	(662)	(183)	(229)
Other	(1 996)	(525)	(934)	(402)
Total	(114 544)	(43 671)	(25 734)	(26 365)

6. Finance income and costs

Finance income

	9 months ended		3 months ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
Interest earned	11 220	13 863	1 293	4 113
Valuation of receivables from service concession arrangement	2 158	2 151	720	717
Foreign exchange gains	525	573	(812)	573
Reversal of provisions for interest on compensations	3 698	1 653	-	-
Write off of liabilities for purchase of FBSerwis Karpatia and FBSerwis Wroclaw	278	-	(4 748)	-
Other	-	5	(19)	-
Total	17 879	18 245	(3 566)	5 403

Finance costs

	9 months ended		3 months ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
Interest expense	(8 461)	(9 119)	(2 770)	(3 677)
Discount of retentions for construction contracts	(5 091)	(5 053)	(1 174)	(1 456)
Cost of bank commissions and guarantees	(20 877)	(17 353)	(7 293)	(6 462)
Loss on derivative financial instruments	(1 935)	(1 617)	(32)	(657)
Foreign exchange losses	-	-	-	125
Other	(441)	(154)	(28)	(129)
Total	(36 805)	(33 296)	(11 297)	(12 256)

All valued derivative instrument contracts (presented both in the operating and financing activity) were classified as level 2 in the fair value hierarchy. During the 9 months ended 30 September 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. The fair value of financial instruments owned by the Group companies is similar to their carrying value.

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7. Other important information on activity of the Budimex Group in the period of three quarters of 2020

Provisions for liabilities and other charges

	30 September 2020	31 December 2019
Provisions for litigation proceedings	25 199	23 876
Provisions for compensations and liquidated damages	120 395	122 084
Provisions for warranty repairs	588 934	480 711
Provisions for reclamation	39 812	41 396
Other provisions	48 307	47 101
Total	822 647	715 168
<i>of which:</i>		
- long-term	590 078	498 422
- short-term	232 569	216 746

Income tax in the income statement

	30 September 2020	30 September 2019
Income tax – current	(183 154)	(112 909)
Income tax – deferred	97 384	38 682
Income tax in the income statement	(85 770)	(74 227)

Other information

	9 months ended	
	30 September 2020	30 September 2019
Reversal of impairment write-downs of inventories	2 423	7 695
Value of property, plant and equipment and intangible assets purchased or started to be leased:	111 652	148 347
- of which: plant and machinery	45 341	12 023

As at 30 September 2020 contractual obligations made by the Group for the purchase or lease of property, plant and equipment amounted to PLN 38 140 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.

In the 9 months of 2020 the Budimex Group recorded an increase in the level of cash and cash equivalents which results from high operating flows realized in the initial phase of newly signed infrastructure contracts. Additionally, as at 30 September 2020 there was a cyclical increase in the balance of valuation of construction contracts (assets) compared to the balance as at the end of 2019, related to a larger scale of work performed and not invoiced. On the other hand, the balance of short-term other financial assets decreased due to the maturity date and thus the resale of bonds issued by banks. Apart from that, there were no 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 two operating segments:

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

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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. (merged with Budimex Nieruchomości Sp. z o.o. on 26 May 2020)
- 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 activities in the form of public-private partnership (PPP). The following entities were classified to this segment:

- 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.

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

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

Segment name	Construction business	Property management and developer business	Services	Consolidation adjustments	Consolidated value
External sales	5 188 325	552 748	428 273	-	6 169 346
Inter-segment sales	323 251	423	3 061	(326 735)	-
Total sales of finished goods, goods for resale and raw materials	5 511 576	553 171	431 334	(326 735)	6 169 346
Gross profit on sales	402 279	150 241	75 024	(25 749)	601 795
Selling expenses	(7 567)	(13 407)	-	-	(20 974)
Administrative expenses	(149 364)	(23 040)	(23 122)	13 845	(181 681)
Other operating income/ (expenses), net	(34 674)	2 741	2 076	-	(29 857)
Operating profit	210 674	116 535	53 978	(11 904)	369 283
Finance income/(costs), net	(19 809)	4 123	(3 520)	280	(18 926)
Shares in profits of equity accounted subordinates	-	-	73	-	73
Income tax expense	(57 443)	(23 048)	(7 488)	2 209	(85 770)
Net profit for the period	133 422	97 610	43 043	(9 415)	264 660

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The results of segments for nine months of 2019 are presented in the table below:

Segment name	Construction business	Property management and developer business	Services	Consolidation adjustments	Consolidated value
External sales	4 826 819	422 011	133 726	-	5 382 556
Inter-segment sales	309 127	437	249	(309 813)	-
Total sales of finished goods, goods for resale and raw materials	5 135 946	422 448	133 975	(309 813)	5 382 556
Gross profit on sales	259 474	99 239	24 746	(29 668)	353 791
Selling expenses	(7 865)	(14 115)	-	-	(21 980)
Administrative expenses	(114 905)	(18 537)	(5 576)	10 671	(128 347)
Other operating income/(expenses), net	16 379	4 706	(1 010)	-	20 075
Operating profit	153 083	71 293	18 160	(18 997)	223 539
Finance income/ (costs), net	(12 983)	1 920	(3 942)	(46)	(15 051)
Shares in profits of equity accounted subordinates	-	-	4 777	-	4 777
Income tax expense	(62 194)	(14 056)	(1 597)	3 620	(74 227)
Net profit for the period	77 906	59 157	17 398	(15 423)	139 038

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

9.1. Sales revenue, by type of good or service

During the period of nine months of 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	Services	Consolidation adjustments	Consolidated financial data
Sales of construction and assembly services	5 446 044	-	-	(308 940)	5 137 104
Sales of other services	8 539	4 390	431 334	(17 795)	426 468
Sales of finished goods	39 533	532 531	-	-	572 064
Sales of goods for resale and raw materials	17 460	16 250	-	-	33 710
Total sales of finished goods, goods for resale and raw materials	5 511 576	553 171	431 334	(326 735)	6 169 346

During the period of nine months 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	Services	Consolidation adjustments	Consolidated financial data
Sales of construction and assembly services	5 064 819	-	-	(298 613)	4 766 206
Sales of other services	31 062	6 567	133 975	(11 200)	160 404
Sales of finished goods	31 523	413 831	-	-	445 354
Sales of goods for resale and raw materials	8 542	2 050	-	-	10 592
Total sales of finished goods, goods for resale and raw materials	5 135 946	422 448	133 975	(309 813)	5 382 556

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9.2. Sales revenue, by geographical area

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

Segment name	Construction business	Property management and developer business	Services	Consolidation adjustments	Consolidated financial data
Poland	5 219 742	553 171	431 173	(326 735)	5 877 351
Germany	186 787	-	160	-	186 947
Other EU countries	98 894	-	1	-	98 895
Other countries*	6 153	-	-	-	6 153
Total sales of finished goods, goods for resale and raw materials	5 511 576	553 171	431 334	(326 735)	6 169 346

*other countries include Norway

In the nine months 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	Services	Consolidation adjustments	Consolidated financial data
Poland	4 862 688	422 448	133 975	(309 813)	5 109 298
Germany	164 656	-	-	-	164 656
Other EU countries	102 485	-	-	-	102 485
Other countries*	6 117	-	-	-	6 117
Total sales of finished goods, goods for resale and raw materials	5 135 946	422 448	133 975	(309 813)	5 382 556

*other countries are Ukraine and Norway

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

Net sales of finished goods, services, goods for resale and raw materials of the „Construction business” as the most significant operating segment in the Budimex Group were additionally analysed by type of construction objects. Data for the nine months of 2020 and the nine months of 2019 were as follows:

Type of construction	Sales revenue for a 9-month period ended:	
	30 September 2020	30 September 2019
Land-engineering	2 500 066	2 175 786
Railway	1 069 363	807 067
General construction, of which:	1 942 147	2 153 093
- non-housing	1 495 088	1 665 778
- housing	447 059	487 315
Net sales of finished goods, goods for resale and raw materials – Construction business segment	5 511 576	5 135 946

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10. Related party transactions

Transactions with related parties made in the period of nine months ended 30 September 2020 and in the period of nine months ended 30 September of 2019 and unsettled balances of receivables and liabilities as at 30 September 2020 and 31 December 2019 are presented in the tables below:

	Receivables		Liabilities	
	30 September 2020	31 December 2019	30 September 2020	31 December 2019
Parent and its related parties (the Ferrovial Group)	-	2 493	19 549	22 781
Jointly controlled entities	2 571	5 097	785	840
Associates	98	108	21	48
Other related entities – non-consolidated subsidiaries*	20	95	-	-
Other related entities – other*	17	4	-	-
Other related entities – through key personnel*	-	-	2 040	4 519
Total settlements with related parties	2 706	7 797	22 395	28 188

	Sales of finished goods and services & other operating income 9-month period ended 30 September		Purchase of finished goods and services & other operating expenses 9-month period ended 30 September	
	2020	2019	2020	2019
Parent and its related parties (the Ferrovial Group)	-	-	(20 526)	(6 204)
Jointly controlled entities	5 342	12 152	(36)	1
Associates	15	3 393	(973)	(1 499)
Other related entities – non-consolidated subsidiaries*	16	-	-	-
Other related entities – other*	10	-	-	-
Other related entities – through key personnel*	888	4 403	(211)	(2)
Total transactions with related parties	6 271	19 948	(21 746)	(7 704)

	Finance income 9-month period ended 30 September		Finance costs 9-month period ended 30 September	
	2020	2019	2020	2019
Parent and its related parties (the Ferrovial Group)	-	-	-	(12)
Associates	-	2 103	-	-
Total transactions with related parties	-	2 103	-	(12)

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

As at 30 September 2020 and 31 December 2019, the Group's companies did not have any loans given or debt securities purchased from related entities, nor any loans received or debt securities sold to these entities.

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

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

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

- economic slowdown due to the coronavirus epidemic,
- availability of qualified workforce due to restrictions on free movement between countries,
- 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 contracts carried out,
- increase in the 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,
- decrease in interest rates, radically limiting the profitability of bank deposits.

12. Description of significant achievements or failures of the Budimex Group in the 9 months of 2020, key events concerning the Group's operations and significant events after 30 September 2020

In the period of three quarters of 2020 the results of the Budimex Group have noticeably improved in comparison with the corresponding period of the previous year. The key drivers of turnover improvement, as well as Group results, were consolidation of FBSerwis since July 2019 in the services segment and also a noticeable increase in the turnover and profitability in the developer segment as a consequence of a higher margin recognized on signed notary deeds.

Presales of flats in the period January-September amounted to 1 199 units (without reservations) and slightly decreased in comparison to 1 286 presold units in corresponding period of the previous year. Slight decrease in the presales is a consequence of sanitary restrictions introduced in the whole country due to the state of epidemic and delay in the launch of the presales on the new projects. Influence of the pandemic was noticed mainly in the period of March-April. However, since May, demand for flats started to rebuild which resulted in signing of 275 new presales agreements in the II quarter and 383 agreements in III quarter of 2020. The above mentioned volumes support the thesis of positive market tone.

On 3 July 2020 the Management Board of Budimex SA decided to start a process of reviewing the strategic options for real estate segment of the Budimex Group. As part of the review, Budimex intends to analyse scenarios covering, among others, the search for a significant investor or investors for the real estate activity (both minority and majority), concluding a strategic alliance with another entity, listing a company on the Warsaw Stock Exchange (IPO). At the date of preparation of these financial statements the option analyzed in the first place is the market interest in the purchase of shares in Budimex Nieruchomości Sp. z o.o.

Profitability of construction segment has improvement, mainly due to 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, which also resulted in the relatively high sales revenues in the analyzed period. Profitability of newly signed contracts has also improved in general and infrastructure segments.

The construction portfolio of the Budimex Group is profitable and ensures adequate workload for subsequent quarters. In the three quarters the Group significantly increased the value of the order portfolio in the road infrastructure segment (including "design and build orders"), which will allow to optimize production capacity in the segment in the upcoming 2-3 years. In addition, on 7 July 2020 Budimex SA signed a contract for the construction works related to the redevelopment of the railway station Warszawa Zachodnia which total value amounts to PLN 1.76 billion. Due to that fact, further dynamic growth of the railway segment in the sales income structure of the Budimex Group is expected.

The order portfolio as at 30 September 2020 amounted to PLN 12 867 574 thousand. The value of contracts signed in the period January – September 2020 amounted to PLN 7 018 753 thousand.

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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. On the other hand, we do observe a responsible approach of the main contractors (GDDKiA and PKP PLK), who maintain the commissioning processes efficiently and make their payments in accordance with agreed schedule without any delays.

State of epidemic, which was introduced in Poland on 20 March 2020, had an impact on a few contracts, which are mainly carried out abroad. According to the Group's estimates, the impact on the operating profit is approximately minus PLN 33 million. Threat related to the spreading of the coronavirus resulted in changes to work organization rules, among others, by the introduction of a temporary possibility of remote work, providing disinfection measures for employees or reorganization of the office space to ensure compliance with the recommendations of the Main Sanitary Inspectorate.

In the three quarters of 2020 Budimex Group transferred approximately PLN 2.7 million in a form of donations and grants to fight against the effects of coronavirus pandemic. The Group donated hospitals, nursing homes and other medical facilities in which COVID-19 patients are treated. Part of donations was also granted to public benefit organizations which help local societies to counteract spreading of the pandemic.

In the period from 30 September 2020 to the date of preparation of the condensed consolidated financial statements there was a significant increase in coronavirus infections among the Budimex Group employees. However, these cases are dispersed throughout the country and therefore it does not affect the Group's operations significantly.

In the period from 30 September 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 period of nine months 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 third 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 31 December 2019.

16. Proceedings pending as at 30 September 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 30 September 2020 was PLN 696 465 thousand. Excess of the value of proceedings against Group companies over proceedings relating to claims of Group companies amounted to PLN 45 463 thousand.

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In accordance with information in the possession of Budimex SA, the total value of legal proceedings in progress in respect of liabilities of Budimex SA and its subsidiaries as at 30 September 2020 was PLN 370 964 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 significant case concerns a request for arbitration submitted by Steinmüller Babcock Environment GmbH ("Steinmüller") to the Secretariat of the International Court of Arbitration at the International Chamber of Commerce in Paris on 20 December 2019. The application is based on the allegations of breach by Budimex SA of the consortium agreement concluded between Budimex SA and Steinmüller in connection with the joint performance of construction works regarding the public procurement under the name "Construction of a new heat and power plant in Vilnius - Lot 1" for JSC "Vilniaus kogeneracine jėgaine" with its seat in Vilnius (Lithuania) and includes a request that the adjudicating team establish intra-consortium liability of Budimex SA towards the claimant for any damage or claims that arose (or may arise) as a result of alleged delayed or improper performance by Budimex SA of its scope of work for which the consortium may be liable. For the purposes of the arbitration proceedings, Steinmüller determined the value of its claims at EUR 25 million, i.e. PLN 105 875 thousand.

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

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

On 27 May 2020 the parties and the adjudicating panel signed the act of mission. According to the agreed procedure schedule, Steinmüller should file a claim by 18 December 2020, Budimex SA should file a response and counterclaim by 30 April 2021, and the hearing is to be held in the third quarter of 2022.

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.

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budimex

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

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 325 501 thousand as at 30 September 2020. Apart from the above-mentioned case brought by Budimex SA against Steinmüller Babcock Environment GmbH, other 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.

17. Contingent assets and contingent liabilities

	30 September 2020	31 December 2019
<u>Contingent assets</u>		
From other entities, of which:		
– guarantees and sureties received	631 373	571 994
– bills of exchange received as security	11 081	5 079
From other entities, total	642 454	577 073
Total contingent assets	642 454	577 073
<u>Contingent liabilities</u>		
To other entities, of which:		
– guarantees and sureties issued	4 318 716	3 904 245
– promissory notes issued as performance bond	95 735	117 293
To other entities, total	4 414 451	4 021 538
Other contingent liabilities	147	167
Total contingent liabilities	4 414 598	4 021 705
Total contingent items	(3 772 144)	(3 444 632)

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

Guarantees and sureties issued by Budimex SA as at 30 September 2020:

Name of the company which issued a guarantee or surety	Name of the (company) entity which received a surety or a guarantee	Total value of guarantees or sureties issued	Maximum period of guarantees or sureties issuance	Financial conditions in respect of guarantees and sureties issued	Type of relations between Budimex SA and the entity which took out a guarantee or surety
Budimex SA	Mostostal Kraków SA	118 949	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.*	291 114*	2029-10-15	free of charge	subsidiary
Budimex SA	Budimex Nieruchomości Sp. z o.o.	1 599	2023-03-18	against payment	subsidiary
Budimex SA	Budimex Bau GmbH	46	2020-12-31	free of charge	subsidiary
Budimex SA	Budimex Kolejnictwo SA	73 185	2029-11-30	against payment	subsidiary
Budimex SA	FBSerwis SA	37 251	2030-04-15	against payment	subsidiary
TOTAL		522 285			

*sureties were issued for contracts carried out by Budimex SA

Guarantees and sureties issued by Budimex SA as at 31 December 2019:

Name of the company which issued a guarantee or surety	Name of the (company) entity which received a surety or a guarantee	Total value of guarantees or sureties issued	Maximum period of guarantees or sureties issuance	Financial conditions in respect of guarantees and sureties issued	Type of relations between Budimex SA and the entity which took out a guarantee or surety
Budimex SA	Mostostal Kraków SA	157 427	2027-01-21	against payment	subsidiary
Budimex SA	Mostostal Kraków Energetyka Sp. z o.o.	141	2023-11-21	against payment	subsidiary
Budimex SA	Budimex Kolejnictwo SA	66 116	2027-08-31	against payment	subsidiary
Budimex SA	Budimex Bau GmbH	44	2019-12-31	free of charge	subsidiary
Budimex SA	Budimex Budownictwo Sp. z o.o.	306 978*	2028-10-15	free of charge	subsidiary
Budimex SA	Budimex Nieruchomości Sp. z o.o.	10 110	2020-02-17	against payment	subsidiary
Budimex SA	FBSerwis SA	48 000	2029-11-30	against payment	subsidiary
TOTAL		588 816			

*sureties were issued for contracts carried out by Budimex SA

President of the Management Board

Dariusz Blocher

Member of the Management Board

Marcin Węglowski

Warsaw, 28 October 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.