



THE BUDIMEX GROUP

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for 1 quarter of 2022

**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 2022
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	31 March 2022 <i>not audited</i>	31 December 2021 <i>audited</i>
Non-current (long-term) assets		
Property, plant and equipment	531 672	538 612
Intangible assets	168 047	150 579
Goodwill of subordinated entities	168 508	168 508
Investments in equity accounted entities	2 278	2 270
Investments in equity instruments	8 032	8 670
Retentions for construction contracts	78 562	87 264
Trade and other receivables	24 220	27 475
Receivables from service concession agreement	46 607	46 638
Other financial assets	1 682	24
Deferred tax assets	717 163	642 373
Total non-current (long-term) assets	1 746 771	1 672 413
Current (short-term) assets		
Inventories	532 467	428 960
Trade and other receivables	1 094 145	1 217 862
Retentions for construction contracts	111 027	97 263
Valuation of construction contracts	793 796	729 415
Current tax assets	348	114
Other financial assets	1 369	1 496
Cash and cash equivalents	3 109 318	2 715 795
Total current (short-term) assets	5 642 470	5 190 905
TOTAL ASSETS	7 389 241	6 863 318

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Consolidated statement of financial position (cont.)

EQUITY AND LIABILITIES	31 March 2022 <i>not audited</i>	31 December 2021 <i>audited</i>
Equity		
Issued capital	145 848	145 848
Share premium	80 199	80 199
Other reserves	53 324	53 324
Cumulative translation differences	6 716	6 289
Retained earnings	1 089 955	1 033 580
Shareholders' equity attributable to the shareholders of the Parent	1 376 042	1 319 240
Equity attributable to non-controlling interests	44 848	41 767
Total equity	1 420 890	1 361 007
Liabilities		
Non-current (long-term) liabilities		
Loans, borrowings and other external sources of finance	140 240	155 269
Retentions for construction contracts	227 471	236 588
Provision for long-term liabilities and other charges	623 419	616 498
Retirement benefits and similar obligations	12 580	12 580
Other financial liabilities	12 609	2 076
Deferred tax liabilities	200	830
Total non-current (long-term) liabilities	1 016 519	1 023 841
Current (short-term) liabilities		
Loans, borrowings and other external sources of finance	83 393	83 777
Trade and other payables	1 641 915	1 396 300
Retentions for construction contracts	200 750	209 962
Provisions for construction contract losses	686 455	514 787
Valuation of construction contracts	1 560 078	1 588 487
Deferred income	385 303	291 860
Provision for short-term liabilities and other charges	297 486	302 474
Current tax liability	88 502	67 658
Retirement benefits and similar obligations	1 846	1 846
Other financial liabilities	6 104	21 319
Total current (short-term) liabilities	4 951 832	4 478 470
Total liabilities	5 968 351	5 502 311
TOTAL EQUITY AND LIABILITIES	7 389 241	6 863 318

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Consolidated income statement

	Note	3-month period ended 31 March	
		2022	2021
		<i>not audited</i>	
Continuing operations			
Net sales of finished goods, goods for resale, raw materials and services	4, 9	1 598 986	1 244 786
Cost of finished goods, goods for resale, raw materials and services sold		(1 466 915)	(1 148 071)
Gross profit on sales		132 071	96 715
Selling expenses	4	(3 127)	(2 728)
Administrative expenses	4	(67 153)	(60 148)
Other operating income	5	11 750	35 182
Other operating expenses	5	(16 098)	(6 206)
Operating profit		57 443	62 815
Finance income	6	15 471	2 935
Finance costs	6	(10 332)	(11 058)
Share in net profits of equity accounted subordinates		8	46
Gross profit		62 590	54 738
Income tax	7	(3 134)	(8 346)
Net profit from continuing operations		59 456	46 392
Discontinued operations			
Net profit/ (loss) from discontinued operations		-	25 032
Net profit for the period		59 456	71 424
<i>of which:</i>			
Attributable to the shareholders of the Parent, of which:			
<i>from continuing operations</i>		56 375	42 483
<i>from discontinued operations</i>		-	25 032
Attributable to non-controlling interests, of which:			
<i>from continuing operations</i>		3 081	3 909
<i>from discontinued operations</i>		-	-
<i>Basic and diluted earnings (loss) per share attributable to the shareholders of the Parent (in PLN), of which:</i>			
<i>from continuing operations</i>		2.21	1.66
<i>from discontinued operations</i>		-	0.98

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Consolidated statement of comprehensive income

	3-month period ended 31 March	
	2022	2021
	<i>not audited</i>	
Net profit for the period	59 456	71 424
Other comprehensive income which:		
<i>Items to be reclassified to profit or loss upon satisfaction of certain conditions:</i>		
Cumulative translation differences	427	(963)
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	427	(963)
Total comprehensive income for the period, of which:	59 883	70 461
Total comprehensive incomes from continuing operations for the period	59 883	45 429
Total comprehensive incomes from discontinued operations for the period	-	25 032
<i>Of which:</i>		
Attributable to the shareholders of the Parent, of which	56 802	66 552
<i>from continuing operations</i>	56 802	41 520
<i>from discontinued operations</i>	-	25 032
Attributable to non-controlling interests	3 081	3 909
<i>from continuing operations</i>	3 081	3 909
<i>from discontinued operations</i>	-	-

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Consolidated statement of changes in equity

	Issued capital	Share premium	Other reserves	Cumulative translation differences	Retained earnings	Equity attributable to the shareholders of the Parent, total	Non-controlling interests	Total equity
Balance as at 1 January 2022 <i>audited</i>	145 848	80 199	53 324	6 289	1 033 580	1 319 240	41 767	1 361 007
Profit for the period	-	-	-	-	56 375	56 375	3 081	59 456
Other comprehensive income	-	-	-	427	-	427	-	427
Total comprehensive income for the period	-	-	-	427	56 375	56 802	3 081	59 883
Balance as at 31 March 2022 <i>not audited</i>	145 848	80 199	53 324	6 716	1 089 955	1 376 042	44 848	1 420 890

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Consolidated statement of changes in equity (cont.)

	Issued capital	Share premium	Other reserves	Cumulative translation differences	Retained earnings	Equity attributable to the shareholders of the Parent, total	Non-controlling interests	Total equity
Balance as at 1 January 2021 <i>audited</i>	145 848	80 199	48 104	6 473	868 727	1 149 351	37 920	1 187 271
Profit for the period	-	-	-	-	67 515	67 515	3 909	71 424
Other comprehensive income	-	-	-	(963)	-	(963)	-	(963)
Total comprehensive income for the period	-	-	-	(963)	67 515	66 552	3 909	70 461
Balance as at 31 March 2021 <i>not audited</i>	145 848	80 199	48 104	5 510	936 242	1 215 903	41 829	1 257 732
Profit for the period	-	-	-	-	904 088	904 088	10 942	915 030
Other comprehensive income	-	-	5 220	779	-	5 999	-	5 999
Total comprehensive income for the period	-	-	5 220	779	904 088	910 087	10 942	921 029
Payment of dividend by Budimex SA	-	-	-	-	(426 352)	(426 352)	-	(426 352)
Payment of dividend to non-controlling shareholders	-	-	-	-	-	-	(11 004)	(11 004)
Interim dividend payment	-	-	-	-	(380 398)	(380 398)	-	(380 398)
Balance as at 31 December 2021 <i>audited</i>	145 848	80 199	53 324	6 289	1 033 580	1 319 240	41 767	1 361 007

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Consolidated statement of cash flows

	3-month period ended 31 March	
	2022	2021
	<i>not audited</i>	
CASH FLOW FROM OPERATING ACTIVITIES		
Gross profit	62 590	85 759
<i>from continuing operations</i>	<i>62 590</i>	<i>54 738</i>
<i>from discontinued operations</i>	<i>-</i>	<i>31 021</i>
Adjustments for:		
Depreciation/ amortization	36 602	36 179
Share in net (profits) of equity accounted companies	(8)	(46)
Foreign exchange (gains)/ losses	339	(27)
Interest and shares in profits (dividends)	1 368	1 823
(Profit)/ loss on investing activities	(1 185)	(95)
Change in valuation of derivative financial instruments	(499)	172
Change in provisions and liabilities arising from retirement benefits and similar obligations	1 933	10 369
Other adjustments	1 331	(1 019)
Operating profit before changes in working capital	102 471	133 115
Change in receivables and retentions for construction contracts	119 568	159 601
Change in inventories	(103 507)	(48 904)
Change in retentions for construction contracts and in liabilities, except for loans and borrowings	231 679	123 729
Change in deferred income	93 443	15 243
Change in valuation of construction contracts and in provision for losses	78 878	75 669
Change in cash and cash equivalents of restricted use	(60 150)	20 810
Cash flow from operating activities	462 382	479 263
Income tax paid	(57 944)	(30 298)
NET CASH FROM OPERATING ACTIVITIES	404 438	448 965

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Consolidated statement of cash flows (cont.)

	3-month period ended 31 March	
	2022	2021
	<i>not audited</i>	
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of intangible assets and property, plant and equipment	1 221	423
Purchase of intangible assets and property, plant and equipment	(16 642)	(14 460)
Deposit received against future sale of a subsidiary	-	10 000
Purchase of shares in unconsolidated subsidiaries	-	(3 330)
Purchase of subsidiary	(11 033)	-
Deferred payment for shares in subsidiaries	(17 700)	-
Loans and borrowings granted	(100)	-
NET CASH USED IN INVESTING ACTIVITIES	(44 254)	(7 367)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of loans and borrowings	(5 741)	(5 563)
Payment of lease liabilities	(19 289)	(73 674)
Interest paid	(1 701)	(2 619)
Other finance expenditure	(52)	(207)
NET CASH USED IN FINANCING ACTIVITIES	(26 783)	(82 063)
TOTAL NET CASH FLOW	333 401	359 535
Foreign exchange differences on cash and cash equivalents, net	(28)	390
CASH AND CASH EQUIVALENTS - OPENING BALANCE (note 3.2)	2 684 885	2 081 498
CASH AND CASH EQUIVALENTS - CLOSING BALANCE (note 3.2)	3 018 258	2 441 423

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

1.1. The Parent Company

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

The main areas of the business activities of the Group are widely understood construction-assembly services realized in the system of general execution at home and abroad, services and production. Budimex SA serves in the Group as an advisory, management and financial 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 2022, 31 December 2021 and 31 March 2021 the following entities were subject to consolidation:

Company name	Registered office	% in the share capital as at		
		31 March 2022	31 December 2021	31 March 2021
Parent company:				
Budimex SA	Warsaw / Poland			
Subsidiaries:				
Mostostal Kraków SA	Cracow / Poland	100.00%	100.00%	100.00%
Mostostal Kraków Energetyka Sp. z o.o.	Cracow / Poland	100.00%	100.00%	100.00%
Budimex Bau GmbH	Cologne/ Germany	100.00%	100.00%	100.00%
Budimex Budownictwo Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
Budimex Kolejnictwo SA	Warsaw / Poland	100.00%	100.00%	100.00%
Budimex Parking Wrocław Sp. z o.o.	Warsaw / Poland	51.00%	51.00%	51.00%
FBSerwis SA	Warsaw / Poland	100.00%	100.00%	100.00%
FBSerwis A Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
FBSerwis B Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
FBSerwis Karpatia Sp. z o.o.	Tarnów / Poland	100.00%	100.00%	100.00%
FBSerwis Wrocław Sp. z o.o.	Bielany Wrocławskie / Poland	100.00%	100.00%	100.00%
FBSerwis Dolny Śląsk Sp. z o.o.	Ścinawka Dolna / Poland	100.00%	100.00%	100.00%
FBSerwis Odbiór Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
Budimex Most Wschodni SA ¹	Warsaw / Poland	100.00%	100.00%	100.00%
FBSerwis Kamieński Sp. z o.o.	Kamieński / Poland	80.00%	80.00%	80.00%
FBSerwis Paliwa Alternatywne Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	-
JZE Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	-
Circular Construction SA ²	Warsaw / Poland	100.00%	100.00%	-
Magnolia Energy Sp. z o.o. ³	Warsaw / Poland	100.00%	-	-
Budimex Nieruchomości Sp. z o.o. ⁴	Warsaw / Poland	-	-	100.00%

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

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

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

⁴⁾ Presented as discontinued operation.

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As at 31 March 2022, 31 December 2021 and 31 March 2021 stand-alone data of Budimex SA and other Group companies, which are partners in consortiums (treated as joint operations according to IFRS 11), included their share in assets, liabilities, revenue and expenses of the following joint operations:

Joint operation name	Share in the issued capital and in the number of votes (%)		
	31 March 2022	31 December 2021	31 March 2021
Budimex SA Cadagua SA III s.c.	99.90%	99.90%	99.90%
Budimex SA Cadagua SA IV s.c.	99.90%	99.90%	99.90%
Budimex SA Cadagua SA V s.c.	99.90%	99.90%	99.90%
Budimex SA Ferrovial Agroman SA 2 s.c.	95.00%	95.00%	95.00%
Budimex SA Sygnity SA Sp. j.	67.00%	67.00%	67.00%
Budimex SA Ferrovial Construcción SA Sp. j.	50.00%	50.00%	50.00%
Budimex SA Tecnicas Reunidas SA Turów s.c.	50.00%	50.00%	50.00%

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

Associate	Share		
	31 March 2022	31 December 2021	31 March 2021
Promos Sp. z o.o.	26.31%	26.31%	26.31%

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

In the 3-month period ended 31 March 2022 there were no other changes in the Group structure, except for those described below.

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

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

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

As at the date of these condensed consolidated financial statements, the fair value of net assets was determined provisionally in accordance with IFRS 3, par. 45. The reason was that the period which elapsed between the purchase and approval of the report was too short.

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

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

	<u>22 February 2022</u>
Non-current assets	
Property, plant and equipment	7 067
Intangible assets under construction	20 956
Current assets	
Trade and other receivables	1 189
Cash and cash equivalents	1
Current liabilities	
Loans, borrowings and other external sources of finance	(4 593)
Trade and other payables	(2 495)
Acquired net assets at fair values determined provisionally	<u>22 125</u>
The purchase price for shares in Magnolia Energy Sp. z o.o.	<u>22 125</u>
Cash paid at acquisition date	(11 034)
Advance payment made in 2021	(3 675)
Cash and cash equivalents in the acquired entity at the time of acquisition	1
Cash outflow related to the purchase	<u>(14 708)</u>

In the period from 1 January 2022 to 31 March 2022 (i.e. also from the moment of acquisition), the company did not generate sales revenue.

The gross value of receivables at the time of purchase of the company was PLN 1 189 thousand.

A part of the payment for the shares was deferred. Therefore, the Budimex Group recognized deferred payment liabilities in the amount of PLN 7 416 thousand. The final settlement of the price will depend on the actual levels of electricity produced and sold by the company and the settlement of the company's net debt. In connection with the purchase of shares in Magnolia Energy Sp. z o.o no indemnification assets were recognized

As at the date of the condensed consolidated financial statements, the acquisition-related costs incurred by the Budimex Group amounted to PLN 245 thousand.

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

Consolidation of Most Wschodni SA and Circular Construction SA

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

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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%
Nationale-Nederlanden OFE	ordinary	2 353 000	9.22%	2 353 000	9.22%
Aviva OFE Aviva Santander	ordinary	2 170 000	8.50%	2 170 000	8.50%
Other shareholders	ordinary	8 205 444	32.14%	8 205 444	32.14%
Total		25 530 098	100.00%	25 530 098	100.00%

The shareholders' structure has not changed compared to data presented in the consolidated financial statements of the Group for the year ended 31 December 2021, published on 25 March 2022.

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

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

These condensed financial statements were prepared in accordance with IAS 34 "Interim Financial Reporting" and appropriate accounting standards applicable for preparation of the interim consolidated financial statements adopted by the European Union issued and effective when preparing the interim consolidated financial statements applying the same principles for the current and comparable period. Details of accounting policies adopted by the Group were described in the consolidated financial statements of the Group for the year ended 31 December 2021, published on 25 March 2022.

The consolidated financial statements have been presented on the assumption that the Parent Company and all entities belonging to the Budimex Group will continue as going concerns in the foreseeable future. As at the date of preparation of the consolidated financial statements, the Management Board of the Parent Company does not state that there are any facts or circumstances that would indicate any threats to the Group companies' ability to continue as a going concern after the balance sheet date as a result of deliberate or compulsory discontinuation or a significant restriction of their current activities.

Amendments to standards effective in the current period

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

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

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

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

In authorizing these consolidated financial statements, the Group did not apply the following standards and amendments to other standards that were issued and endorsed for use in the EU, but which have not yet become effective:

- Amendments to IAS 1 „Presentation of financial statements” and Handbook of IFRS 2: “Disclosure of accounting rules and principles” (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 8 „Accounting Policies, Changes in Accounting Estimates and Errors” (effective for annual periods beginning on or after 1 January 2023),
- IFRS 17 „Insurance contracts” and Amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023).

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

The IFRSs endorsed by the EU do not differ materially from regulations adopted by the International Accounting Standards Board (IASB), except for the below standards and amendments to Standards, which as at the date of the preparation of these consolidated financial statements were not yet adopted for use:

- IFRS 14 “Regulatory Deferral Accounts” - according to the decision of the European Union, standard endorsement process in its draft form will not be initiated before publication of standard’s final version (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” - work leading to the endorsement of these changes was postponed indefinitely - the date of amendments becoming effective was indefinitely deferred by the IASB,
- Amendments to IAS 1 “Presentation of Financial Statements” – “Classification of Liabilities as Current or Non-current - Deferral of Effective Date” (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 12 “Income Taxes” – “Deferred tax related to assets and liabilities arising from a single transaction” (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IFRS 17 “Insurance Contracts” - “Initial Application of IFRS 17 and IFRS 9 - Comparative Information” (effective for annual periods beginning on or after 1 January 2023).

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

3.2. Cash recognised in the cash flow statement

The Group recognizes cash of restricted use (including mainly cash of the consortia in the portion attributable to other consortium members, cash representing security for bank guarantees, 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 2022	31 December 2021	31 March 2021
Cash recognised in the statement of financial position	3 109 318	2 715 795	2 333 831
Cash and cash equivalents of restricted use	(91 060)	(30 910)	(282 090)
Cash and cash equivalents of discontinued operations	-	-	389 682
Cash recognised in the statement of cash flow	3 018 258	2 684 885	2 441 423

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 2022 construction-assembly production in Poland expressed in current prices increased by 35.1% (an increase by 23.3% 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 increased by 23.7% on the corresponding period.

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Net sales and profitability

	3 months ended		Change in %
	31 March 2022	31 March 2021	
Net sales of finished goods and services	1 598 986	1 244 786	28.45%
Gross profit on sales	132 071	96 715	36.56%
Gross profitability on sales	8.26%	7.77%	0.49 p.p.
Operating profit	57 443	62 815	(8.55%)
Operating profitability	3.59%	5.05%	(1.46 p.p.)
Operating profit of construction segment	42 782	48 813	(12.36%)
Operating profitability of construction segment	2.98%	4.14%	(1.16 p.p.)
Operating profit of services segment	14 761	22 254	(33.67%)
Operating profitability of services segment	8.89%	13.28%	(4.39 p.p.)
Gross profit	62 590	54 738	14.34%
Gross profitability	3.91%	4.40%	(0.49 p.p.)
Net profit	59 456	71 424	(16.76%)
Net profitability	3.72%	5.74%	(2.02 p.p.)

Selling expenses and administrative expenses

	3 months ended		Change in %
	31 March 2022	31 March 2021	
Selling expenses	(3 127)	(2 728)	14.63%
Administrative expenses	(67 153)	(60 148)	11.65%
Total selling & administrative expenses	(70 280)	(62 876)	11.78%
Share of selling & administrative expenses in net sales of finished goods and services	4.40%	5.05%	(0.65 p.p.)

5. Other operating income and expenses

Other operating income

	3 months ended	
	31 March 2022	31 March 2021
Reversal of impairment write-downs against receivables	1 330	9 783
Reversal of provisions for penalties and sanctions	-	13 014
Penalties/ compensations awarded	8 750	9 509
Statute-barred liabilities written-off	1 084	297
Gains on derivative financial instruments	137	198
Subsidies received	36	1 253
Gains on the sale of non-financial non-current assets	148	332
Other	265	796
Total	11 750	35 182

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Other operating expenses

	3 months ended	
	31 March 2022	31 March 2021
Impairment write-downs against receivables	(2 525)	(900)
Creation of provision for penalties and sanctions	(25)	(1 668)
Creation of provision for litigation	(8 478)	-
Compensations and liquidated damages paid	(1 539)	(1 358)
Loss on derivative financial instruments	(959)	(959)
Donations	(829)	(451)
Court fees and executions, costs of court proceedings	(448)	(669)
Other	(1 295)	(201)
Total	(16 098)	(6 206)

6. Finance income and costs

Finance income

	3 months ended	
	31 March 2022	31 March 2021
Interest earned	11 717	890
Valuation of receivables from service concession arrangement	719	720
Gain on derivative financial instruments	1 458	786
Foreign exchange gains	295	274
Other	1 282	265
Total	15 471	2 935

Finance costs

	3 months ended	
	31 March 2022	31 March 2021
Interest expense	(2 126)	(2 185)
Discount of retentions for construction contracts	(1 792)	(1 088)
Cost of bank commissions and guarantees	(6 316)	(7 433)
Loss on derivative financial instruments	(83)	(207)
Other	(15)	(145)
Total	(10 332)	(11 058)

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 2022, there was no transfer between Level 1 and Level 2 of fair value measurements, and no transfer into and out of Level 3 of fair value measurement. The fair value of the financial instruments held by the Group companies is close to their carrying value.

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

Provisions for liabilities and other charges

	31 March 2022	31 December 2021
Provisions for litigation	39 955	31 477
Provisions for penalties and other sanctions	176 539	175 930
Provisions for warranty repairs	611 173	617 609
Provisions for reclamation	51 195	49 920
Other provisions	42 043	44 036
Total	920 905	918 972
<i>of which:</i>		
- long-term	623 419	616 498
- short-term	297 486	302 474

Income tax in the profit and loss statement

	31 March 2022	31 March 2021
Income tax – current	(78 556)	(41 990)
Income tax – deferred	75 422	33 644
Income tax in the profit and loss statement	(3 134)	(8 346)

Other information

	3 months ended	
	31 March 2022	31 March 2021
Value of property, plant and equipment and intangible assets purchased or started to be leased:	18 112	26 163
- of which: <i>plant and machinery</i>	2 214	6 931

As at 31 March 2022 the Group's contractual obligations for the purchase and lease of property, plant and equipment amounted to PLN 13 594 thousand. As at 31 December 2021 the Group's contractual investment commitments amounted to PLN 2 863 thousand and were related to the purchase of machinery and equipment.

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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,
- service activities.

Construction business covers rendering of widely understood construction-assembly services at home and abroad and is realised by the following Group companies:

- Budimex SA
- Mostostal Kraków SA
- Mostostal Kraków Energetyka Sp. z o.o.
- Budimex Bau GmbH
- Budimex Budownictwo Sp. z o.o.
- Budimex Kolejnictwo SA

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

- Budimex Parking Wrocław Sp. z o.o.
- FBSerwis SA
- FBSerwis A Sp. z o.o.
- FBSerwis B Sp. z o.o.
- FBSerwis Dolny Śląsk Sp. z o.o.
- FBSerwis Wrocław Sp. z o.o.
- FBSerwis Karpatia Sp. z o.o.
- FBSerwis Kamieńsk Sp. z o.o.
- FBSerwis Odbiór Sp. z o.o.
- FBSerwis Paliwa Alternatywne Sp. z o.o.
- JZE Sp. z o.o.
- Most Wschodni SA (included in the consolidation scope from February 2022)
- Circular Construction SA (included in the consolidation scope from February 2022)
- Magnolia Energy Sp. z o.o. (included in the consolidation scope from March 2022).

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

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

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

Segment name	Construction business	Service activities	Consolidation adjustments	Consolidated value
External sales	1 434 665	164 321	-	1 598 986
Inter-segment sales	1 193	1 722	(2 915)	-
Total sales of finished goods, goods for resale and raw materials	1 435 858	166 043	(2 915)	1 598 986
Gross profit on sales	107 199	25 666	(794)	132 071
Selling expenses	(3 127)	-	-	(3 127)
Administrative expenses	(57 751)	(10 096)	694	(67 153)
Other operating income/ (expenses), net	(3 539)	(809)	-	(4 348)
Operating profit	42 782	14 761	(100)	57 443
Finance income/(costs), net	2 966	2 109	64	5 139
Shares in profits of equity accounted subordinates	-	8	-	8
Income tax expense	(3 290)	149	7	(3 134)
Net profit for the period from continuing operations	42 458	17 027	(29)	59 456
Net profit from discontinued operations	-	-	-	-
Net profit for the period	42 458	17 027	(29)	59 456

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

Segment name	Construction business	Property management and developer business	Service activities	Consolidation adjustments	Consolidated value
External sales	1 078 151	-	166 635	-	1 244 786
Inter-segment sales	101 929	-	879	(102 808)	-
Total sales of finished goods, goods for resale and raw materials	1 180 080	-	167 514	(102 808)	1 244 786
Gross profit on sales	77 043	-	32 163	(12 491)	96 715
Selling expenses	(2 728)	-	-	-	(2 728)
Administrative expenses	(54 252)	-	(10 135)	4 239	(60 148)
Other operating income/ (expenses), net	28 750	-	226	-	28 976
Operating profit	48 813	-	22 254	(8 252)	62 815
Finance income/(costs), net	(8 426)	-	230	73	(8 123)
Shares in profits of equity accounted subordinates	-	-	46	-	46
Income tax expense	(4 529)	-	(5 369)	1 552	(8 346)
Net profit for the period from continuing operations	35 858	-	17 161	(6 627)	46 392
Net profit from discontinued operations	-	25 032	-	-	25 032
Net profit for the period	35 858	25 032	17 161	(6 627)	71 424

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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 2022 net sales of finished goods, services, goods for resale and raw materials, by type of good or service, were as follows:

Segment name	Construction business	Service activities	Consolidation adjustments	Consolidated financial data
Sales of construction and assembly services	1 419 311	-	(644)	1 418 667
Sales of other services	1 873	166 043	(2 271)	165 645
Sales of finished goods	13 470	-	-	13 470
Sales of goods for resale and raw materials	1 204	-	-	1 204
Total sales of finished goods, goods for resale and raw materials	1 435 858	166 043	(2 915)	1 598 986

In the first quarter of 2021 net sales of finished goods, services, goods for resale and raw materials, by type of good or service, were as follows:

Segment name	Construction business	Service activities	Consolidation adjustments	Consolidated financial data
Sales of construction and assembly services	1 162 204	-	(97 845)	1 064 359
Sales of other services	4 148	167 514	(4 963)	166 699
Sales of finished goods	12 729	-	-	12 729
Sales of goods for resale and raw materials	999	-	-	999
Total sales of finished goods, goods for resale and raw materials	1 180 080	167 514	(102 808)	1 244 786

9.2. Sales revenue, by geographical area

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

Segment name	Construction business	Service activities	Consolidation adjustments	Consolidated financial data
Poland	1 360 386	165 895	(2 915)	1 523 366
Germany	72 704	148	-	72 852
Other EU countries	2 768	-	-	2 768
Total sales of finished goods, goods for resale and raw materials	1 435 858	166 043	(2 915)	1 598 986

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

Segment name	Construction business	Service activities	Consolidation adjustments	Consolidated financial data
Poland	1 099 938	167 439	(102 808)	1 164 569
Germany	57 490	-	-	57 490
Other EU countries	22 652	75	-	22 727
Total sales of finished goods, goods for resale and raw materials	1 180 080	167 514	(102 808)	1 244 786

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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 2022 and the first quarter of 2021 were as follows:

Type of construction	Sales revenue for a 3-month period ended:	
	31 March 2022	31 March 2021
Land-engineering	488 234	382 277
Railway	300 356	274 658
General construction, of which:	647 268	523 145
- non-residential	579 223	415 863
- residential	68 045	107 282
Net sales of finished goods, goods for resale and raw materials – Construction business segment	1 435 858	1 180 080

10. Related party transactions

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

	Receivables		Liabilities	
	31 March 2022	31 December 2021	31 March 2022	31 December 2021
Parent company and its related parties (the Ferrovial Group)	-	-	27 708	23 687
Jointly controlled entities	15 721	21 312	884	1 318
Associates	92	93	14	25
Other related entities – other**	5	7	-	-
Total settlements with related parties	15 818	21 412	28 606	25 030

	Loans granted		Loans taken out	
	31 March 2022	31 December 2021	31 March 2022	31 December 2021
Other related entities – non-consolidated subsidiaries**	101	-	-	-
Total transactions with related parties	101	-	-	-

	Sales of finished goods and services*		Purchase of finished goods and services*	
	3-month period ended 31 March		3-month period ended 31 March	
	2022	2021	2022	2021
Parent company and its related parties (the Ferrovial Group)	-	-	(6 961)	(6 013)
Jointly controlled entities	219	627	(3)	(7)
Associates	4	6	(272)	(320)
Other related entities – through key personnel**	-	262	-	-
Total transactions with related parties	223	895	(7 236)	(6 340)

	Finance (costs)/ income*		Other operating (costs)/ income*	
	3-month period ended 31 March		3-month period ended 31 March	
	2022	2021	2022	2021
Parent company and its related parties (the Ferrovial Group)	-	-	-	15
Other related entities – non-consolidated subsidiaries**	1	-	-	(44)
Total transactions with related parties	1	-	-	(29)

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*) The figures presented in the note in 2021 include the data reported within the discontinued operations.

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

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

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

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

- economic uncertainty related to the war in Ukraine,
- availability of staff and materials including steel,
- the level of prices of construction materials and services affecting the level of direct costs of contracts,
- general uncertainty related to Covid-19 epidemic evolution,
- risks related to logistics and transport of construction materials,
- volatility of exchange rates, which affect the level of sales revenues and operating costs as well as the result from the valuation and settlement of foreign currency forward transactions,
- the level of competition in public tenders,
- intensification of activities aimed at recovering overdue receivables covered by write-downs and strengthening operational and financial control over the performed contracts,
- results of pending court cases, which are described in more detail in Note 16 to these consolidated financial statements,
- changes in tax regulations affecting the construction industry.

12. Description of significant achievements or failures of the Budimex Group in the I quarter of 2022, key events concerning the Group's operations and significant events after 31 March 2022

In the first quarter of 2022, the Budimex Group recorded a significant increase in sales revenue, mainly in the construction segment. A high order portfolio and relatively good weather conditions allowed the construction segment to increase its revenue by 21.7% compared to the same period of the previous year. In addition, some important road contracts implemented in the "design and build" formula are entering the implementation phase this year, which in the coming quarters will translate into an increase in sales in this area. The operating profitability and gross profitability of the Budimex Group deteriorated, mainly due to the decline in the profitability of the construction segment.

The war in Ukraine, which started on 24 February 2022, has no direct impact on the activities of the Budimex Group. The Group does not execute contracts in Ukraine, Russia and Belarus. The companies from the Budimex Group do not have a significant exposure to services provided by entities with Eastern capital either. Nevertheless, the reduction of imports of raw materials used in the construction sector, including iron ore, and fluctuations in oil prices have a significant impact on the functioning of the construction sector. Moreover, an outflow of workers from Ukraine is observed in the sector, while the scale of this phenomenon and the impact on the activity of the industry are currently difficult to assess. The increase in the prices of key assortments has an impact on the profitability of long-term contracts, especially those at the initial stage of implementation. The increase in steel prices may also have a direct impact on the profitability of contracts conducted by Mostostal Kraków SA.

The order portfolio of the Budimex Group is diversified and maintains a stable profitability mainly due to contracts in the last stage of implementation. The portfolio largely secures revenues until the end of 2023. The Budimex Group regularly updates the budgets of long-term contracts, and the recorded increase in material prices has been already included in the revised cost estimates.

The order portfolio of Budimex Group as at 31 March 2022 amounted to PLN 13 170 097 thousand. The value of contracts signed between January and March 2022, including annexes, was PLN 1 385 419 thousand.

The cash position of the Budimex Group is stable and allows for uninterrupted operation in the coming quarters. The series of interest rate increases observed in the last quarter resulted in an increase in the average interest rate on bank deposits. As a result, the Budimex Group recorded a significant improvement in the result on finance activities compared to the same period last year. This trend is expected to continue in the coming quarters of 2022.

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In the period from 31 March 2022 to the date of preparation of these condensed consolidated financial statements no other significant events took place.

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

In the first quarter of 2022 Budimex SA and Group companies did not issue, redeem or repay debt or equity securities.

14. The Management Board's position on the feasibility of results stated in the financial forecasts published earlier for the year in view of the financial results presented in the 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 2022

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

Artur Popko	(President of the Management Board)	2 031 shares
Marcin Węglowski	(Management Board Member)	2 830 shares
Marek Michałowski	(Chairman of the Supervisory Board)	4 000 shares

Above mentioned members of the Management Board and Supervisory Board do not own share options of the company. As at the date of publication of this report other managing and supervisory persons of Budimex SA do not hold its shares or share options. There was no change in the status of ownership from the date of publication of the annual report for the year 2021, i.e. 25 March 2022.

16. Proceedings pending as at 31 March 2022 before court, competent arbitration body or any public administration authority

The total value of legal proceedings in progress in respect of liabilities and receivables as at 31 March 2022 was PLN 591 938 thousand. Excess of the value of proceedings related to claims of Group companies over proceedings against Group companies amounted to PLN 53 276 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 2022 was PLN 269 331 thousand. These proceedings involve the Group companies' operating activity.

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

In the opinion of the Management Board of Budimex SA the claims in the lawsuit are groundless. The irregularities, which in the Claimant's opinion constitute actual grounds of the claims, provided that these do exist, do not result from actions or omissions of the consortium. Moreover, proper performance of the building by the consortium was confirmed by the Claimant issuing the Work Acceptance Certificate and Implementation Certificate for the Silesian Museum building in Katowice. The Management Board assesses that the provisions for warranty repairs recognised beforehand fully cover the risks related to contract implementation. Budimex SA filed its response to the claim on 31 October 2017 and supplemented it in January 2018. Ferrovial Agroman SA filed a reply to the statement of claim on 22 October 2018.

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The first hearing took place on 11 March 2019, during which the court ordered the parties to make an advance payment for expert fees in the case. As at the date of the report, the expert had not yet been selected by the court, and in accordance with the parties' request, guided by the court's parallel request for the parties to undertake mediation, the court suspended the ongoing proceedings by order of 22 December 2021.

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

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

The total value of legal proceedings pending in respect of claims of Budimex SA and its subsidiaries amounted to PLN 322 607 thousand as at 31 March 2022. The proceedings relate mainly to the recovery of overdue receivables from business partners and to additional claims in respect of the construction work performed.

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

17. Contingent assets and contingent liabilities

	31 March 2022	31 December 2021
<u>Contingent assets</u>		
From other entities, of which:		
– guarantees and sureties received	702 566	695 064
– bills of exchange received as security	21 615	5 700
From other entities, total	724 181	700 764
Total contingent assets	724 181	700 764
<u>Contingent liabilities</u>		
To other entities, of which:		
– guarantees and sureties issued	4 519 221	4 274 792
– promissory notes issued as performance bond	10 342	10 848
To other entities, total	4 529 563	4 285 640
Other contingent liabilities	181	181
Total contingent liabilities	4 529 744	4 285 821
Total contingent items	(3 805 563)	(3 585 057)

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

Contingent liabilities arising from guarantees and sureties comprise mainly guarantees issued by banks to business partners of the Group companies to secure their claims against the Group companies that may arise on the grounds of executed construction contracts. The banks are entitled to recourse claims against Group companies under these guarantees. Guarantees issued to the investors of the Group represent an alternative, to the retentions held, method of securing potential investor claims relating to construction contracts. At the same time, the risk relating to warranty

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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.

Guarantees and sureties issued by Budimex SA as at 31 March 2022:

Name of the company which issued a guarantee or surety	Name of the (company) entity which received a surety or a guarantee	Total value of guarantees or sureties issued	Period of guarantees or sureties issuance	Financial conditions in respect of guarantees and sureties issued	Type of relations between Budimex SA and the entity which took out a guarantee or surety
Budimex SA	Mostostal Kraków SA	110 082	2028-12-18	against payment	subsidiary
Budimex SA	Mostostal Kraków Energetyka Sp. z o.o.	141	2023-11-21	against payment	subsidiary
Budimex SA	Budimex Budownictwo Sp. z o.o.	303 983*	2029-10-15	free of charge	subsidiary
Budimex SA	Budimex Bau GmbH	229	indefinite	free of charge	subsidiary
Budimex SA	Budimex Kolejnictwo SA	18 480	2027-12-31	against payment	subsidiary
Budimex SA	FBSerwis SA	21 623	2030-07-12	against payment	subsidiary
Budimex SA	Magnolia Energy Sp. z o.o.	33 525	2023-03-31	against payment	subsidiary
TOTAL		488 063			

*sureties were issued for contracts carried out by Budimex SA

Guarantees and sureties issued by Budimex SA as at 31 December 2021:

Name of the company which issued a guarantee or surety	Name of the (company) entity which received a surety or a guarantee	Total value of guarantees or sureties issued	Period of guarantees or sureties issuance	Financial conditions in respect of guarantees and sureties issued	Type of relations between Budimex SA and the entity which took out a guarantee or surety
Budimex SA	Mostostal Kraków SA	115 353	2027-12-31	against payment	subsidiary
Budimex SA	Mostostal Kraków Energetyka Sp. z o.o.	141	2023-11-21	against payment	subsidiary
Budimex SA	Budimex Kolejnictwo SA	19 076	2027-12-31	against payment	subsidiary
Budimex SA	Budimex Budownictwo Sp. z o.o.	194 794*	2029-10-15	free of charge	subsidiary
Budimex SA	FBSerwis SA	23 406	2030-07-12	against payment	subsidiary
TOTAL		352 770			

President of the Management Board

Management Board Member

Artur Popko

Marcin Węglowski

Warsaw, 28 April 2022

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.