



**BUDIMEX SA**

**CONDENSED FINANCIAL STATEMENTS**

**for 1 quarter of 2020**

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

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**Statement of financial position**

<b>ASSETS</b>	<b>31 March 2020</b> <i>unaudited</i>	<b>31 December 2019</b> <i>audited</i>
<b>Non-currents assets (long-term)</b>		
Property, plant and equipment	205 847	211 609
Intangible assets	32 853	32 374
Investments in subsidiaries	1 042 194	1 042 194
Investments in associates	191	191
Investments in other entities	4 385	4 385
Other financial assets	2 141	2 038
Trade and other receivables	25 395	22 823
Retentions for construction contracts	79 328	91 740
Deferred tax assets	420 244	382 864
<b>Total non-current assets (long-term)</b>	<b>1 812 578</b>	<b>1 790 218</b>
<b>Current assets</b>		
Inventories	492 691	477 879
Trade and other receivables	701 774	946 350
Retentions for construction contracts	71 083	58 023
Valuation of construction contracts	459 484	415 362
Other financial assets	137 011	123 638
Cash and cash equivalents	1 414 409	1 182 654
<b>Total current assets (short-term)</b>	<b>3 276 452</b>	<b>3 203 906</b>
<b>TOTAL ASSETS</b>	<b>5 089 030</b>	<b>4 994 124</b>

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**Statement of financial position (cont.)**

<b>EQUITY AND LIABILITIES</b>	<b>31 March 2020</b> <i>unaudited</i>	<b>31 December 2019</b> <i>audited</i>
<b>Equity</b>		
Issued capital	145 848	145 848
Share premium	80 199	80 199
Other reserves	51 165	51 165
Cumulative translation differences	8 376	7 293
Retained earnings	422 448	393 896
<b>Total equity</b>	<b>708 036</b>	<b>678 401</b>
<b>Liabilities</b>		
<b>Long-term liabilities</b>		
Loans, borrowings and other external sources of finance	101 297	106 211
Retentions for construction contracts	205 557	213 687
Provision for long-term liabilities and other charges	377 838	353 932
Retirement benefits and similar obligations	11 497	11 497
Other financial liabilities	-	197
<b>Total long-term liabilities</b>	<b>696 189</b>	<b>685 524</b>
<b>Short-term liabilities</b>		
Loans, borrowings and other external sources of finance	54 946	54 253
Trade and other payables	1 286 773	1 300 098
Retentions for construction contracts	204 703	206 465
Provision for construction contract losses	244 747	241 789
Valuation of construction contracts	876 440	952 684
Deferred income	680 442	585 910
Provisions for current liabilities and other charges	224 984	208 790
Current income tax payable	109 841	78 102
Retirement benefits and similar obligations	1 327	1 327
Other financial liabilities	602	781
<b>Total short-term liabilities</b>	<b>3 684 805</b>	<b>3 630 199</b>
<b>Total liabilities</b>	<b>4 380 994</b>	<b>4 315 723</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>5 089 030</b>	<b>4 994 124</b>

### Income statement

	Note	3-month period ended 31 March	
		2020	2019
		<i>unaudited</i>	
<b>Continuing operations</b>			
Net sales of finished goods, goods for resale, raw materials and services	3, 7	1 363 923	1 212 197
Cost of finished goods, goods for resale, raw materials and services sold		(1 271 524)	(1 143 259)
<b>Gross profit on sales</b>		<b>92 399</b>	<b>68 938</b>
Selling expenses	3	(2 648)	(2 468)
Administrative expenses	3	(45 934)	(48 473)
Other operating income	4	21 234	8 747
Other operating expenses	4	(34 232)	(5 185)
<b>Operating profit</b>		<b>30 819</b>	<b>21 559</b>
Finance income	5	10 942	4 714
Finance costs	5	(8 572)	(9 194)
<b>Gross profit</b>		<b>33 189</b>	<b>17 079</b>
Income tax	6	(4 637)	(10 007)
<b>Net profit from continuing operations</b>		<b>28 552</b>	<b>7 072</b>
<b>Net profit for the period</b>		<b>28 552</b>	<b>7 072</b>

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

1.12

0.28

### Statement of comprehensive income

	3-month period ended 31 March	
	2020	2019
		<i>unaudited</i>
<b>Net profit for the period</b>	<b>28 552</b>	<b>7 072</b>
<b>Other comprehensive income for the period, which:</b>		
<i>Items to be reclassified to profit or loss upon satisfaction of certain conditions: :</i>		
Cumulative translation differences	1 083	154
Deferred tax related to components of other comprehensive income	-	-
<i>Items not to be reclassified to profit or loss:</i>		
Actuarial gains/(losses)	-	-
Deferred tax related to components of other comprehensive income	-	-
<b>Other comprehensive income, net of tax</b>	<b>1 083</b>	<b>154</b>
<b>Total comprehensive income for the period</b>	<b>29 635</b>	<b>7 226</b>

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**budimex****Statement of changes in equity**

	Issued capital	Share premium	Other reserves	Cumulative translation differences	Retained earnings	Total equity
<b>Balance as at 1 January 2020</b> <i>audited</i>	145 848	80 199	51 165	7 293	393 896	678 401
Profit for the period	-	-	-	-	28 552	28 552
Other comprehensive income	-	-	-	1 083	-	1 083
<b>Total comprehensive income for the period</b>	-	-	-	1 083	28 552	29 635
<b>Balance as at 31 March 2020</b> <i>unaudited</i>	145 848	80 199	51 165	8 376	422 448	708 036

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**Statement of changes in equity (cont.)**

	Issued capital	Share premium	Other reserves	Cumulative translation differences	Retained earnings	Total equity
<b>Balance as at 1 January 2019</b> <i>audited</i>	145 848	80 199	51 356	7 159	322 012	606 574
Profit for the period	-	-	-	-	7 072	7 072
Other comprehensive income	-	-	-	154	-	154
<b>Total comprehensive income for the period</b>	-	-	-	154	7 072	7 226
<b>Balance as at 31 March 2019</b> <i>unaudited</i>	145 848	80 199	51 356	7 313	329 084	613 800
Profit for the period	-	-	-	-	225 651	225 651
Other comprehensive income	-	-	(191)	(20)	-	(211)
<b>Total comprehensive income for the period</b>	-	-	(191)	(20)	225 651	225 440
Dividends	-	-	-	-	(160 839)	(160 839)
<b>Balance as at 31 December 2019</b> <i>audited</i>	145 848	80 199	51 165	7 293	393 896	678 401

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**Cash flow statement**

	3-month period ended 31 March	
	2020	2019
	<i>unaudited</i>	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Net profit before tax</b>	<b>33 189</b>	<b>17 079</b>
<b>Adjustments for:</b>		
Depreciation/ amortization	18 634	15 981
Foreign exchange (gains)/ losses	(4 683)	(21)
Interest and shares in profits (dividends)	(2 771)	(5)
(Profit)/ loss on disposal of investments	(209)	15
Change in valuation of derivative financial instruments	(2 500)	2 382
Change in provisions and liabilities arising from retirement benefits and similar obligations	40 100	(3 307)
Other adjustments	1 127	149
<b>Operating profit before changes in working capital</b>	<b>82 887</b>	<b>32 273</b>
Change in receivables and retentions for construction contracts	244 164	132 349
Change in inventories	(14 812)	(73 638)
Change in retentions for construction contracts and in liabilities, except for loans and borrowings	(23 432)	(347 911)
Change in valuation of construction contracts and provision for construction contract losses	(117 408)	(153 038)
Change in deferred income	94 532	(42 483)
Change in cash and cash equivalents of restricted use	(16 304)	1 868
<b>Cash used in operating activities</b>	<b>249 627</b>	<b>(450 580)</b>
Income tax paid	(10 278)	(9 773)
<b>NET CASH FROM / USED IN OPERATING ACTIVITIES</b>	<b>239 349</b>	<b>(460 353)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Sale of intangible assets and tangible fixed assets	832	2
Purchase of intangible assets and tangible fixed assets	(4 994)	(2 056)
Acquisition of bonds issued by banks	(134 392)	-
Proceeds from bonds issued by banks	119 588	-
Repayment of loans granted	43	600
Interest received	4 041	1 163
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(14 882)</b>	<b>(291)</b>



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

	3-month period ended 31 March	
	2020	2019
		<i>unaudited</i>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of loans and borrowings	-	(9 003)
Payment of finance lease liabilities	(14 675)	(11 614)
Interest paid	(1 052)	(1 165)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(15 727)</b>	<b>(21 782)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>208 740</b>	<b>(482 426)</b>
Foreign exchange differences, net	6 711	(6)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (note 2.2)</b>	<b>1 168 231</b>	<b>1 136 291</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (note 2.2)</b>	<b>1 383 682</b>	<b>653 859</b>

**1. General information**

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

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

The Company has an unlimited period of operation.

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

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

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

These condensed financial statements were prepared in accordance with IAS 34 "Interim Financial Reporting" and appropriate accounting standards applicable for preparation of the interim financial statements adopted by the European Union issued and effective when preparing the interim financial statements applying the same principles for the current and comparable period. Details of accounting policies adopted by the Company were described in the financial statements of the Company for the year ended 31 December 2019, published on 26 March 2020.

As at 31 March 2020, 31 December 2019 and 31 March 2019 the Company's standalone data as part of the consortia (treated as a joint operation in accordance with IFRS 11), include also participation in assets, liabilities, revenues and costs of the following joint operations:

Joint operation	Share in the share capital and in the number of votes		
	31 March 2020	31 December 2019	31 March 2019
Budimex SA Ferrovial Agroman SA s.c.	99.98%	99.98%	99.98%
Budimex SA Cadagua SA II s.c.	99.90%	99.90%	99.90%
Budimex SA Cadagua SA III s.c.	99.90%	99.90%	99.90%
Budimex SA Cadagua SA IV s.c.	99.90%	99.90%	99.90%
Budimex SA Cadagua SA V s.c.	99.90%	99.90%	99.90%
Budimex SA Ferrovial Agroman SA 2 s.c.	95.00%	95.00%	95.00%
Budimex SA Sygnity SA Sp. j.	67.00%	67.00%	67.00%
Budimex SA Energetyka 3 Sp.j.	50.00%	50.00%	50.00%
Budimex SA Ferrovial Agroman SA Sp. j.	50.00%	50.00%	50.00%
Budimex SA Tecnicas Reunidas SA Turów s.c.	50.00%	50.00%	50.00%
Budimex SA Energetyka 1 Sp.j.	-	-	50.00%
Budimex SA Energetyka 2 Sp.j.	-	-	50.00%
Budimex SA Budimex Budownictwo Sp. z o.o. s.c.	-	-	99.98%

**Amendments to standards effective in the current period**

The Company for the first time adopted changes to standards:

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

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

**Standards and Amendments to Standards adopted by the IASB, but not yet endorsed by the EU**

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

- IFRS 14 „Regulatory deferral accounts” – according to the European Commission's decision the endorsement process of the standard will not be initiated until the final version of the standard has been published (effective for annual periods beginning on or after 1 January 2016),
- IFRS 17 „Insurance contracts” (effective for annual periods beginning on or after 1 January 2021),
- Amendments to IFRS 3 „Business Combinations” (effective for annual periods beginning on or after 1 January 2020),
- Amendments to IFRS 10 „Consolidated financial statements” and IAS 28 „Investments in associates and joint ventures” – Sale or contribution of assets between an investor and its associate or joint venture – the endorsement process has been postponed by the EU indefinitely – the effective date has been postponed by the IASB indefinitely,
- Amendments to IAS 1 „Presentation of Financial Statements” – “Classification of Liabilities as Current or Non-Current” (effective for annual periods beginning on or after 1 January 2022).

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

**2.2. Cash recognized in the cash flow statement**

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

	31 March 2020	31 December 2019	31 March 2019
<b>Cash recognised in the statement of financial position</b>	<b>1 414 409</b>	<b>1 182 654</b>	<b>675 295</b>
Cash and cash equivalents of restricted use	(30 727)	(14 423)	(21 436)
<b>Cash recognised in the statement of cash flow</b>	<b>1 383 682</b>	<b>1 168 231</b>	<b>653 859</b>

**2.3. Going concern**

The financial statements of the Company were prepared on the assumption that the Company will be going concern in the foreseeable future without a significant limitation in its activities. As at the date of signing the financial statements, the Management Board of the Company is not aware of any facts or circumstances that would indicate a threat to the Company's continued activities after the reporting date, due to an intended or compulsory withdrawal from or a significant limitation in its activities.

As at 31 March 2020 the excess of the current liabilities over the current assets amounted to PLN 408 353 thousand. Taking into consideration good financial position of the Budimex Group related to liquidity, of which the excess of current assets over current liabilities as at 31 March 2020 amounted to PLN 464 109 thousand, the Company's Management Board does not state as at the date of signing the financial statements any threat to Company's ability to continue as a going concern.

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

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

#### Revenues and profitability

	3-month period ended		Change %
	31 March 2020	31 March 2019	
Net sales of finished goods and services	1 363 923	1 212 197	12.52%
Gross profit on sales	92 399	68 938	34.03%
<b>Gross profitability on sales</b>	<b>6.77%</b>	<b>5.69%</b>	<b>1.08 p.p.</b>
Operating profit	30 819	21 559	42.95%
<b>Operating profitability</b>	<b>2.26%</b>	<b>1.78%</b>	<b>0.48 p.p.</b>
Net profit	28 552	7 072	303.73%
<b>Net profitability</b>	<b>2.09%</b>	<b>0.58%</b>	<b>1.51 p.p.</b>

#### Selling and administrative expenses

	3-month period ended		Change %
	31 March 2020	31 March 2019	
Selling expenses	(2 648)	(2 468)	7.29%
Administrative expenses	(45 934)	(48 473)	(5.24%)
<b>Total selling &amp; administrative expenses</b>	<b>(48 582)</b>	<b>(50 941)</b>	<b>(4.63%)</b>
<b>Share of selling &amp; administrative expenses in net sales of finished goods and services</b>	<b>3.56%</b>	<b>4.20%</b>	<b>(0.64 p.p.)</b>

### 4. Other operating income and expenses

#### Other operating income

	3-month period ended	
	31 March 2020	31 March 2019
Gains on sale of property, plant and equipment and investment property	213	-
Subsidies received	-	539
Reversal of impairment write-downs against receivables	1 602	965
Reversal of provisions for litigation	-	101
Reversal of provisions for penalties and sanctions	7 618	1 806
Penalties/ compensations awarded	8 248	3 488
Statute-barred liabilities written-off	469	1 472
Gains on derivative financial instruments	2 800	323
Other	284	53
<b>Total</b>	<b>21 234</b>	<b>8 747</b>

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**Other operating expenses**

	3-month period ended	
	31 March 2020	31 March 2019
Loss on sale of property, plant and equipment and investment property	-	(15)
Impairment write-downs against receivables	(17 244)	(1 744)
Compensations and liquidated damages paid	(2 192)	(2 818)
Donations	(668)	(187)
Creation of provisions for penalties and sanctions	(13 386)	-
Creation of provisions for litigation	(671)	-
Other	(71)	(421)
<b>Total</b>	<b>(34 232)</b>	<b>(5 185)</b>

All valued derivative instrument contracts were classified as level 2 in the fair value hierarchy. During the 3 months ended 31 March 2020 and 31 March 2019, 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.

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

	3-month period ended	
	31 March 2020	31 March 2019
Dividends	3 192	-
Interest earned	4 978	4 621
Foreign exchange gains	2 772	93
<b>Total</b>	<b>10 942</b>	<b>4 714</b>

**Finance cost**

	3-month period ended	
	31 March 2020	31 March 2019
Cost of bank commissions and guarantees	(6 293)	(5 538)
Discount of retentions for construction contracts	(965)	(1 900)
Interest expense	(1 302)	(1 736)
Other	(12)	(20)
<b>Total</b>	<b>(8 572)</b>	<b>(9 194)</b>

**6. Other significant information on activity of Budimex SA in the I quarter of 2020****Provisions for liabilities and other charges**

	31 March 2020	31 December 2019
Provisions for litigation	23 667	22 990
Provisions for penalties and other sanctions	118 919	113 151
Provisions for warranty repairs	460 236	426 581
<b>Total</b>	<b>602 822</b>	<b>562 722</b>
<i>of which:</i>		
- long-term	377 838	353 932
- short-term	224 984	208 790

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

	3-month period ended	
	31 March 2020	31 March 2019
Income tax – current	(42 017)	(21 788)
Income tax – deferred	37 380	11 781
<b>Income tax in the profit and loss statement</b>	<b>(4 637)</b>	<b>(10 007)</b>

**Other information**

	3-month period ended	
	31 March 2020	31 March 2019
Value of property, plant and equipment, investment property and intangible assets purchased or started to be leased:	13 454	41 357
- of which: plant and machinery	3 326	4 335

Contractual obligations made by the Company for the purchase of property, plant and equipment as at 31 March 2020 amounted to PLN 4 369 thousand. Contractual obligations made by the Company for the purchase of property, plant and equipment as at 31 December 2019 amounted to PLN 212 thousand.

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

In the first quarter of 2020 and 2019 net sales of services, goods for resale and raw materials, by type of good or service, were as follows:

Product/service type	3-month period ended	
	31 March 2020	31 March 2019
Sales of construction and assembly services	1 359 821	1 198 007
Sales of other services	2 668	12 095
Sales of goods for resale and raw materials	1 434	2 095
<b>Total sales of finished goods, goods for resale, raw materials and services</b>	<b>1 363 923</b>	<b>1 212 197</b>

In the first quarter of 2020 and 2019 net sales of services, goods for resale and raw materials, by geographical area, were as follows:

Region	3-month period ended	
	31 March 2020	31 March 2019
Poland	1 279 121	1 144 126
Germany	44 821	43 318
Other EU countries	39 981	24 753
<b>Total sales of finished goods, goods for resale, raw materials and services</b>	<b>1 363 923</b>	<b>1 212 197</b>

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In the first quarter of 2020 and 2019 net sales of services, goods for resale and raw materials by type of construction was as follows:

Type of construction	3-month period ended	
	31 March 2020	31 March 2019
Land-engineering	552 893	447 706
Railway	272 771	150 985
General construction, of which:	534 157	599 316
- non-residential	380 655	469 667
- residential	153 502	129 649
Other	4 102	14 190
<b>Total sales of finished goods, goods for resale, raw materials and services</b>	<b>1 363 923</b>	<b>1 212 197</b>

## 8. Related party transactions

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

Transactions are made on an arm's length basis.

	Receivables		Liabilities	
	31 March 2020	31 December 2019	31 March 2020	31 December 2019
Parent Company and related parties (the Ferrovial Group)	29	2 493	23 913	22 261
Subsidiary companies	124 542	157 057	20 615	16 992
Associates	56	56	57	2
Jointly controlled entities	2 176	2 172	705	759
Other related parties* - other	4	4	-	-
<b>Total</b>	<b>126 807</b>	<b>161 782</b>	<b>45 290</b>	<b>40 014</b>

	Loans granted		Loans taken out	
	31 March 2020	31 December 2019	31 March 2020	31 December 2019
Parent Company and related parties (the Ferrovial Group)	-	-	-	-
Subsidiary companies	1 718	5 369	-	-
Associates	-	-	-	-
<b>Total</b>	<b>1 718</b>	<b>5 369</b>	<b>-</b>	<b>-</b>

	Sales of finished goods and services		Purchase of finished goods and services	
	3-month period ended 31 March		3-month period ended 31 March	
	2020	2019	2020	2019
Parent Company and related parties (the Ferrovial Group)	-	-	(6 947)	(10 415)
Subsidiary companies	167 092	155 033	(23 218)	(11 237)
Associates	-	71	(168)	(115)
Jointly controlled entities	136	139	-	-
Other related entities – through key personnel*	-	-	(200)	(2)
<b>Total</b>	<b>167 228</b>	<b>155 243</b>	<b>(30 533)</b>	<b>(21 769)</b>

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

	Finance income		Finance costs	
	3-month period ended 31 March		3-month period ended 31 March	
	2020	2019	2020	2019
Parent Company and related parties (the Ferrovial Group)	-	-	-	(12)
Subsidiary companies	3 215	137	-	-
Associates	-	1 046	-	-
<b>Total transactions with related parties</b>	<b>3 215</b>	<b>1 183</b>	<b>-</b>	<b>(12)</b>

\*) Other related parties comprise also entities on which the key management person of the Company or his close relative exercises significant influence.

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

In the first quarter of 2020 the results of Budimex SA have slightly improved in comparison with the corresponding period of the previous year. Profitability improvement resulted mainly from the completion of the difficult contracts signed 2-3 years ago, which were carried out in the environment of the progressive cost inflation. Stabilization of materials and services prices observed in the latest quarters positively affected the average profitability of the projects portfolio in general construction, infrastructure and railway segments. In addition, favorable weather conditions positively affected the efficiency of realization of the projects despite the winter season, which also resulted in the relatively high sales revenues in analyzed period.

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

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

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

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

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

In the period from 31 March 2020 to the date of preparation of these condensed financial statements no other significant events took place.

### **10. Proceedings pending as at 31 March 2020 before court, competent arbitration body or any public administration authority**

The total value of legal proceedings pending in respect of liabilities and receivables as at 31 March 2020 was PLN 444 332 thousand. Excess of the value of proceedings against Budimex SA over proceedings relating to claims of the Company amounted to PLN 58 034 thousand.



## BUDIMEX SA

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

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On the basis of the information at hand, the total value of legal proceedings pending in respect of liabilities of Budimex SA as at 31 March 2020 was PLN 251 183 thousand. The proceedings pending in respect of Budimex SA relate to the operating activities of the Company.

The largest claim in dispute was submitted on 24 July 2017 by Muzeum Śląskie in Katowice against Budimex SA and Ferrovia 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. Ferrovia Agroman SA files its request to the claim on 22 October 2018. The first hearing took place on 11 March 2019, during which the court obliged the parties to pay an advance towards the remuneration of the research institute, which will prepare an opinion on the case. As at the date of the report, the date of the next hearing is not known.

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

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

The total value of legal proceedings pending in respect of claims of Budimex SA amounted to PLN 193 149 thousand as at 31 March 2020. The proceedings relate mainly to the recovery of overdue receivables from business partners and to additional claims in respect of the construction work performed. As at the date of this report, the final outcome of the proceedings is not known.

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**11. Contingent receivables and contingent liabilities**

	31 March 2020	31 December 2019
<b><u>Contingent receivables</u></b>		
<b>From related parties, of which:</b>	<b>1 809</b>	<b>2 080</b>
– bills of exchange received as security	1 809	2 080
<b>From other entities, of which:</b>	<b>569 366</b>	<b>548 203</b>
– guarantees and sureties received	567 451	544 100
– bills of exchange received as security	1 915	4 103
<b>Total contingent receivables</b>	<b>571 175</b>	<b>550 283</b>
<b><u>Contingent liabilities</u></b>		
<b>To related parties, of which:</b>	<b>524 945</b>	<b>588 816</b>
– guarantees and sureties issued	524 945	588 816
<b>To other entities, of which:</b>	<b>3 742 022</b>	<b>3 386 236</b>
– guarantees and sureties issued	3 723 849	3 367 913
– promissory notes issued as performance bond	18 173	18 323
<b>Other contingent liabilities</b>	<b>167</b>	<b>167</b>
<b>Total contingent liabilities</b>	<b>4 267 134</b>	<b>3 975 219</b>
<b>Total off-balance sheet items</b>	<b>(3 695 959)</b>	<b>(3 424 936)</b>

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

Contingent liabilities arising from guarantees and sureties comprise mainly guarantees issued by banks to business partners of the Company to secure their claims against the Company that may arise on the grounds of executed construction contracts. The banks are entitled to recourse claims against Budimex SA under these guarantees. Guarantees issued to the investors of the Company represent an alternative, to the retentions held, method of securing potential investor claims relating to construction contracts. At the same time, the risk relating to warranty repairs assessed by the Management Board of the Company as probable was appropriately reflected in the warranty repair provision, as described in note 6 to these condensed financial statements.

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

**President of the Management Board**

**Management Board Member**

**Dariusz Blocher**

**Marcin Węglowski**

Warsaw, 27 April 2020

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