



**THE BUDIMEX GROUP**

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**for 1 half of 2020**

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

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(all amounts are expressed in PLN thousand)

**Consolidated statement of financial position**

<b>ASSETS</b>	<b>30 June 2020</b> <i>not audited</i>	<b>31 December 2019</b> <i>audited</i>
<b>Non-current (long-term) assets</b>		
Property, plant and equipment	537 381	512 921
Investment properties	9 957	7 721
Intangible assets	165 551	168 822
Goodwill of subordinated entities	168 508	168 508
Investments in equity accounted entities	2 118	2 076
Investments in equity instruments	7 996	7 816
Retentions for construction contracts	45 292	59 212
Trade and other receivables	26 711	41 887
Receivables from service concession agreement	46 616	46 690
Other financial assets	28	-
Deferred tax assets	472 359	418 889
<b>Total non-current (long-term) assets</b>	<b>1 482 517</b>	<b>1 434 542</b>
<b>Current (short-term) assets</b>		
Inventories	2 002 238	2 013 756
Trade and other receivables	877 782	1 096 157
Retentions for construction contracts	22 415	48 433
Valuation of construction contracts	646 811	444 008
Current tax assets	44	108
Other financial assets	136 121	120 978
Cash and cash equivalents	2 053 847	1 515 977
<b>Total current (short-term) assets</b>	<b>5 739 258</b>	<b>5 239 417</b>
<b>TOTAL ASSETS</b>	<b>7 221 775</b>	<b>6 673 959</b>

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

<b>EQUITY AND LIABILITIES</b>	<b>30 June 2020</b> <i>not audited</i>	<b>31 December 2019</b> <i>audited</i>
<b>Equity</b>		
Issued capital	145 848	145 848
Share premium	87 163	87 163
Other reserves	1 180	1 180
Cumulative translation differences	7 375	7 000
Retained earnings	561 115	566 958
<b>Shareholders' equity attributable to the shareholders of the Parent</b>	<b>802 681</b>	<b>808 149</b>
<b>Equity attributable to non-controlling interests</b>	<b>29 908</b>	<b>28 491</b>
<b>Total equity</b>	<b>832 589</b>	<b>836 640</b>
<b>Liabilities</b>		
<b>Non-current (long-term) liabilities</b>		
Loans, borrowings and other external sources of finance	265 640	273 258
Retentions for construction contracts	228 034	229 522
Provision for long-term liabilities and other charges	538 351	498 422
Retirement benefits and similar obligations	14 979	14 979
Other financial liabilities	16 005	19 807
Deferred tax liabilities	12 611	13 404
<b>Total non-current (long-term) liabilities</b>	<b>1 075 620</b>	<b>1 049 392</b>
<b>Current (short-term) liabilities</b>		
Loans, borrowings and other external sources of finance	181 775	177 108
Trade and other payables	1 721 262	1 530 773
Retentions for construction contracts	216 170	215 032
Provisions for losses on construction contracts	246 720	240 677
Valuation of construction contracts	991 637	951 448
Deferred income	1 655 782	1 356 310
Provision for short-term liabilities and other charges	228 121	216 746
Current tax liability	69 007	96 653
Retirement benefits and similar obligations	1 877	1 877
Other financial liabilities	1 215	1 303
<b>Total current (short-term) liabilities</b>	<b>5 313 566</b>	<b>4 787 927</b>
<b>Total liabilities</b>	<b>6 389 186</b>	<b>5 837 319</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>7 221 775</b>	<b>6 673 959</b>

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(all amounts are expressed in PLN thousand)

### Consolidated income statement

	Note	6-month period ended 30 June		3-month period ended 30 June	
		2020	2019	2020	2019
		not audited		not audited	
Continuing operations					
Net sales of finished goods, goods for resale, raw materials and services	4, 9	3 734 436	3 248 421	2 259 529	1 868 164
Cost of finished goods, goods for resale, raw materials and services sold		(3 406 885)	(3 039 040)	(2 042 700)	(1 764 761)
Gross profit on sales		327 551	209 381	216 829	103 403
Selling expenses	4	(13 787)	(14 088)	(6 883)	(7 291)
Administrative expenses	4	(123 373)	(107 088)	(64 518)	(54 396)
Other operating income	5	55 028	40 483	31 882	29 122
Other operating expenses	5	(88 810)	(17 306)	(54 033)	(9 422)
Operating profit		156 609	111 382	123 277	61 416
Finance income	6	21 445	12 842	13 397	6 996
Finance costs	6	(25 508)	(21 040)	(12 322)	(10 050)
Share in net profits/(losses) of equity accounted subordinates		42	4 760	22	4 302
Gross profit		152 588	107 944	124 374	62 664
Income tax	7	(38 097)	(35 411)	(33 845)	(18 941)
Net profit from continuing operations		114 491	72 533	90 529	43 723
Net profit for the period		114 491	72 533	90 529	43 723
of which:					
Attributable to the shareholders of the Parent		110 574	72 104	88 515	43 566
Attributable to non-controlling interests		3 917	429	2 014	157
Basic and diluted earnings per share attributable to the shareholders of the Parent (in PLN)					
		4.33	2.82	3.47	1.71

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(all amounts are expressed in PLN thousand)

**Consolidated statement of comprehensive income**

	6-month period ended 30 June		3-month period ended 30 June	
	2020	2019	2020	2019
	<i>not audited</i>		<i>not audited</i>	
<b>Net profit for the period</b>	<b>114 491</b>	<b>72 533</b>	<b>90 529</b>	<b>43 723</b>
<b>Other comprehensive income which:</b>				
<i>Items to be reclassified to profit or loss upon satisfaction of certain conditions:</i>				
Cumulative translation differences	375	113	(1 312)	(43)
Income tax related to components of other comprehensive income	-	-	-	-
<i>Items not to be subsequently reclassified to profit or loss:</i>	-	-	-	-
Actuarial gains/(losses)	-	-	-	-
Income tax related to components of other comprehensive income	-	-	-	-
<b>Other comprehensive income, net</b>	<b>375</b>	<b>113</b>	<b>(1 312)</b>	<b>(43)</b>
<b>Total comprehensive income for the period</b>	<b>114 866</b>	<b>72 646</b>	<b>89 217</b>	<b>43 680</b>
<i>Of which:</i>				
<b>Attributable to the shareholders of the Parent</b>	<b>110 949</b>	<b>72 217</b>	<b>87 203</b>	<b>43 523</b>
<i>Attributable to non-controlling interests</i>	<i>3 917</i>	<i>429</i>	<i>2 014</i>	<i>157</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	-	-	-	-	-	110 574	110 574	3 917	114 491
Other comprehensive income	-	-	-	-	375	-	375	-	375
Total comprehensive income	-	-	-	-	375	110 574	110 949	3 917	114 866
Profit distribution - dividend	-	-	-	-	-	(116 417)	(116 417)	-	(116 417)
Payment of dividend to non-controlling shareholders	-	-	-	-	-	-	-	(2 500)	(2 500)
Balance as at 30 June 2020 <i>not audited</i>	145 848	87 163	7 171	(5 991)	7 375	561 115	802 681	29 908	832 589

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

	Equity attributable to the shareholders of the Parent Company						Non-controlling interests	Total equity	
	Issued capital	Share premium	Other reserves		Cumulative translation differences	Retained earnings			Total
			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	-	-	-	-	-	72 104	72 104	429	72 533
Other comprehensive income	-	-	-	-	113	-	113	-	113
Total comprehensive income	-	-	-	-	113	72 104	72 217	429	72 646
Profit distribution - dividend	-	-	-	-	-	(160 839)	(160 839)	-	(160 839)
Balance as at 30 June 2019 <i>not audited</i>	145 848	87 163	7 171	(5 571)	7 060	413 048	654 719	7 565	662 284
Profit for the period	-	-	-	-	-	153 910	153 910	2 408	156 318
Other comprehensive income	-	-	-	(420)	(60)	-	(480)	-	(480)
Total comprehensive income	-	-	-	(420)	(60)	153 910	153 430	2 408	155 838
Acquisition of control over associate	-	-	-	-	-	-	-	21 444	21 444
Payment of dividend to non-controlling shareholders	-	-	-	-	-	-	-	(2 926)	(2 926)
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**

	6-month period ended 30 June	
	2020	2019
	<i>not audited</i>	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Net profit before tax</b>	<b>152 588</b>	<b>107 944</b>
<b>Adjustments for:</b>		
Depreciation/ amortization	64 882	39 007
Share in net (profits) of equity accounted companies	(42)	(4 760)
Foreign exchange losses	528	198
Interest and shares in profits (dividends)	4 160	2 403
(Profit) on investing activities	(1 447)	(2 768)
Change in valuation of derivative financial instruments	971	4 062
Change in provisions and liabilities arising from retirement benefits and similar obligations	51 304	16 368
Other adjustments	182	74
<b>Operating profit before changes in working capital</b>	<b>273 126</b>	<b>162 528</b>
Change in receivables and retentions for construction contracts	245 412	(170 276)
Change in inventories	5 866	(134 182)
Change in retentions for construction contracts and in liabilities, except for loans and borrowings	67 122	(227 531)
Change in deferred income	299 472	(65 785)
Change in valuation of construction contracts and in provision for losses	(156 571)	(243 548)
Change in cash and cash equivalents of restricted use	(140 197)	37 053
<b>Cash flow from/ (used in) operating activities</b>	<b>594 230</b>	<b>(641 741)</b>
Income tax paid	(119 169)	(38 950)
<b>NET CASH FROM/ (USED IN) OPERATING ACTIVITIES</b>	<b>475 061</b>	<b>(680 691)</b>

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**Consolidated statement of cash flows (continued)**

	6-month period ended 30 June	
	2020	2019
	<i>not audited</i>	
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of intangible assets and property, plant and equipment	3 008	2 305
Proceeds from sale of investment property	30 000	4 365
Purchase of intangible assets and property, plant and equipment	(27 165)	(4 205)
Purchase of shares in joint operations	-	(73)
Purchase of shares in non-consolidated entities	(180)	-
Purchase of bonds issued by banks	(269 079)	-
Proceeds from bonds issued by banks	253 980	-
Interest received	1 020	2 103
<b>NET CASH FROM/ (USED IN) INVESTING ACTIVITIES</b>	<b>(8 416)</b>	<b>4 495</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of loans and borrowings	(29 530)	(9 548)
Loans and borrowings received	5 237	-
Payment of dividend by Budimex SA	-	(160 839)
Dividends paid to non-controlling shareholders	(2 500)	-
Payment of lease liabilities	(36 563)	(32 575)
Interest paid	(6 453)	(6 586)
Other finance expenditure	(283)	(317)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(70 092)</b>	<b>(209 865)</b>
<b>TOTAL NET CASH FLOW</b>	<b>396 553</b>	<b>(886 061)</b>
Foreign exchange differences on cash and cash equivalents, net	1 120	(229)
<b>CASH AND CASH EQUIVALENTS - OPENING BALANCE (note 3.2)</b>	<b>1 340 215</b>	<b>1 268 028</b>
<b>CASH AND CASH EQUIVALENTS - CLOSING BALANCE (note 3.2)</b>	<b>1 737 888</b>	<b>381 738</b>

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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 June 2020, 31 December 2019 and 30 June 2019 the following entities were subject to consolidation:

Company name	Registered office	% in the share capital as at		
		30 June 2020	31 December 2019	30 June 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%	49.00%
FBSerwis A Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	49.00%
FBSerwis B Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	49.00%
FBSerwis Karpatia Sp. z o.o.	Tarnów / Poland	100.00%	100.00%	49.00%
FBSerwis Wrocław Sp. z o.o.	Bielany Wrocławskie / Poland	100.00%	100.00%	49.00%
FBSerwis Dolny Śląsk Sp. z o.o.	Ścinawka Dolna / Poland	100.00%	100.00%	49.00%
FBSerwis Kamieński Sp. z o.o.	Kamieński / Poland	80.00%	80.00%	39.20%
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 June 2020, 31 December 2019 and 30 June 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 June 2020	31 December 2019	30 June 2019
Budimex SA Ferrovial Agroman SA s.c.	99.98%	99.98%	99.98%
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%

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Joint operation name	Share in the issued capital and in the number of votes (%)		
	30 June 2020	31 December 2019	30 June 2019
Budimex SA Cadagua SA V s.c.	99.90%	99.90%	99.90%
Budimex SA Ferrovial Agroman SA 2 s.c.	95.00%	95.00%	95.00%
Budimex SA Sygnity SA Sp.j.	67.00%	67.00%	67.00%
Budimex SA Ferrovial Agroman SA Sp.j.**	50.00%	50.00%	50.00%
Budimex SA Tecnicas Reunidas SA Turów s.c.	50.00%	50.00%	50.00%
Budimex SA Energetyka 3 Sp.j.*	-	100.00%	100.00%
Budimex SA Cadagua SA II s.c.**	-	99.90%	99.90%
Budimex SA Budimex Budownictwo Sp. z o.o. s.c.	-	-	100.00%
Budimex SA Energetyka 1 Sp.j.	-	-	100.00%
Budimex SA Energetyka 2 Sp.j.	-	-	100.00%

\*on 30 June 2020, the partners of the company Budimex SA Energetyka 3 Sp. j. adopted resolutions on liquidation of the company without conducting liquidation proceedings.

\*\* 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.

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

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

Associate	share		
	30 June 2020	31 December 2019	30 June 2019
FBSerwis Group	-	-	49.00%
Promos Sp. z o.o.	26.31%	26.31%	26.31%

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

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 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.

On 25 June 2020 a new company FBSerwis Odbiór Sp. z o.o. was registered, which on 30 June 2020 was not subject to consolidation due to no operational activity.

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.

In the 6-month period ended 30 June 2020 there were no other changes in the Group structure.

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

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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 Agroman 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%
<b>Total</b>		<b>25 530 098</b>	<b>100.00%</b>	<b>25 530 098</b>	<b>100.00%</b>

The above data presents the shareholding structure as at the last General Meeting of Shareholders of 18 June 2020, with the exception of Ferrovial Agroman International SE, which at the AGM exercised the rights to shares held as at the date of registration to the AGM, then on 16 June 2020 Management Board of Budimex SA was informed on the sale of 1 276 505 shares by Ferrovial Agroman International SE, which represented 5% of the share capital of Budimex SA.

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%
<b>Total</b>		<b>25 530 098</b>	<b>100.00%</b>	<b>25 530 098</b>	<b>100.00%</b>

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

### 3.1. **Accounting policies and basis of preparing the consolidated financial statements of the Budimex Group**

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

The interim condensed consolidated financial statements of the Budimex Group cover the period of six months ended on 30 June 2020 and contain comparative data for the period of six months ended on 30 June 2019 and as at 31 December 2019. Consolidated statement of comprehensive income and income statement and notes to the consolidated statement of comprehensive income and income statement covering data for the period of 3 months ended on 30 June 2020 and comparative data for the period of 3 months ended on 30 June 2019, were not subject to review or audit by a certified auditor.

The consolidated financial statements were prepared on the assumption that the Parent Company and all entities included in the Budimex Group will continue as a going concern in the foreseeable future. In the reporting period and as at the date of preparation of these financial statements no circumstances were noted that would indicate a threat to ability to continue as a going concern.

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

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

- 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”.

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 (effective for annual periods beginning on or after 1 January 2022),
- 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 16 „Leases” Covid 19-Related Rent Concessions (effective for periods beginning on or after 1 June 2020),
- Amendments to IFRS 4 „Insurance Contracts” – deferral of IFRS 9 (effective for annual periods beginning on or after 1 January 2021).

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

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

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

	30 June 2020	31 December 2019	30 June 2019
<b>Cash recognised in the statement of financial position</b>	<b>2 053 847</b>	<b>1 515 977</b>	<b>485 809</b>
Cash and cash equivalents of restricted use	(315 959)	(175 762)	(104 071)
<b>Cash recognised in the statement of cash flow</b>	<b>1 737 888</b>	<b>1 340 215</b>	<b>381 738</b>

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

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

In the first half-year of 2020 construction-assembly production in Poland expressed in current prices increased by 5.2% (an increase by 2.3% 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 were up 7.4% on the corresponding period.

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

	6 months ended			3 months ended		
	30 June 2020	30 June 2019	Change in %	30 June 2020	30 June 2019	Change in %
Net sales of finished goods and services	3 734 436	3 248 421	14.96%	2 259 529	1 868 164	20.95%
Gross profit on sales	327 551	209 381	56.44%	216 829	103 403	109.69%
<b>Gross profitability on sales</b>	<b>8.77%</b>	<b>6.45%</b>	<b>2.32 p.p.</b>	<b>9.60%</b>	<b>5.54%</b>	<b>4.06 p.p.</b>
Gross profit on sales in construction segment	230 809	151 039	52.81%	132 821	79 462	67.15%
<b>Gross profitability on sales in construction segment</b>	<b>6.83%</b>	<b>4.83%</b>	<b>2.00 p.p.</b>	<b>6.79%</b>	<b>4.29%</b>	<b>2.50 p.p.</b>
Gross profit on sales in developer segment	74 425	70 285	5.89%	73 710	31 719	132.38%
<b>Gross profitability on sales in developer segment</b>	<b>27.09%</b>	<b>22.46%</b>	<b>4.63 p.p.</b>	<b>27.37%</b>	<b>25.20%</b>	<b>2.17 p.p.</b>
Operating profit	156 609	111 382	40.61%	123 277	61 416	100.72%
<b>Operating profitability</b>	<b>4.19%</b>	<b>3.43%</b>	<b>0.76 p.p.</b>	<b>5.46%</b>	<b>3.29%</b>	<b>2.17 p.p.</b>
Net profit	114 491	72 533	57.85%	90 529	43 723	107.05%
<b>Net profitability</b>	<b>3.07%</b>	<b>2.23%</b>	<b>0.84 p.p.</b>	<b>4.01%</b>	<b>2.34%</b>	<b>1.67 p.p.</b>

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

	6 months ended			3 months ended		Change in %
	30 June 2020	30 June 2019	Change in %	30 June 2020	30 June 2019	
Selling expenses	(13 787)	(14 088)	(2.14%)	(6 883)	(7 291)	(5.60%)
Administrative expenses	(123 373)	(107 088)	15.21%	(64 518)	(54 396)	18.61%
<b>Total selling &amp; administrative expenses</b>	<b>(137 160)</b>	<b>(121 176)</b>	<b>13.19%</b>	<b>(71 401)</b>	<b>(61 687)</b>	<b>15.75%</b>
<b>Share of selling &amp; administrative expenses in net sales of finished goods and services</b>	<b>3.67%</b>	<b>3.73%</b>	<b>(0.06 p.p.)</b>	<b>3.16%</b>	<b>3.30%</b>	<b>(0.14 p.p.)</b>

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**5. Other operating income and expenses*****Other operating income***

	6 months ended		3 months ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
Reversal of impairment write-downs against receivables	1 762	7 319	143	6 292
Reversal of provisions for compensations and liquidated damages	29 739	7 271	22 121	5 465
Penalties/ compensations awarded	17 013	13 834	7 768	10 246
Statute-barred liabilities written-off	425	4 378	(44)	2 874
Gains on derivative financial instruments	649	3 575	(439)	841
Subsidies received	-	539	-	-
Gains on the sale of non-financial non-current assets	1 737	3 273	1 013	3 273
Reversal of other provisions	2 000	-	-	-
Other	1 703	294	1 320	131
<b>Total</b>	<b>55 028</b>	<b>40 483</b>	<b>31 882</b>	<b>29 122</b>

***Other operating expenses***

	6 months ended		3 months ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
Impairment write-downs against receivables	(25 051)	(3 438)	(7 713)	(1 546)
Compensations and liquidated damages paid	(17 847)	(4 165)	(15 399)	(1 295)
Loss on derivative financial instruments	(227)	(3 419)	(227)	(1 013)
Court charges and executions, costs of legal proceedings	(536)	(1 134)	(375)	(721)
Creation of provisions for penalties and sanctions	(41 092)	(4 594)	(27 706)	(4 591)
Donations given	(2 995)	(433)	(2 318)	(238)
Other	(1 062)	(123)	(295)	(18)
<b>Total</b>	<b>(88 810)</b>	<b>(17 306)</b>	<b>(54 033)</b>	<b>(9 422)</b>

**6. Finance income and costs*****Finance income***

	6 months ended		3 months ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
Interest earned	9 927	9 750	4 092	4 744
Valuation of receivables from service concession arrangement	1 438	1 434	719	722
Foreign exchange gains	1 337	-	(147)	(123)
Reversal of provisions for interest on compensations and liquidated damages	3 698	1 653	3 698	1 653
Reversal of liabilities for purchase of FBSerwis Karpatia and FBSerwis Wrocław	5 026	-	5 026	-
Other	19	5	9	-
<b>Total</b>	<b>21 445</b>	<b>12 842</b>	<b>13 397</b>	<b>6 996</b>



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**Finance costs**

	6 months ended		3 months ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
Interest expense	(5 691)	(5 442)	(2 395)	(2 531)
Discount of retentions for construction contracts	(3 917)	(3 597)	(2 821)	(1 585)
Cost of bank commissions and guarantees	(13 584)	(10 891)	(6 637)	(5 249)
Loss on derivative financial instruments	(1 903)	(960)	(406)	(553)
Foreign exchange losses	-	(125)	-	(125)
Other	(413)	(25)	(63)	(7)
<b>Total</b>	<b>(25 508)</b>	<b>(21 040)</b>	<b>(12 322)</b>	<b>(10 050)</b>

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 6 months ended 30 June 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.

**7. Other important information on activity of the Budimex Group in the I half of 2020****Provisions for liabilities and other charges**

	30 June 2020	31 December 2019
Provisions for litigation proceedings	24 551	23 876
Provisions for compensations and liquidated damages	129 681	122 084
Provisions for warranty repairs	527 271	480 711
Provisions for reclamation	41 464	41 396
Other provisions	43 505	47 101
<b>Total</b>	<b>766 472</b>	<b>715 168</b>
<i>of which:</i>		
- long-term	538 351	498 422
- short-term	228 121	216 746

**Income tax in the income statement**

	30 June 2020	30 June 2019
Income tax – current	(92 344)	(51 607)
Income tax – deferred	54 247	16 196
<b>Income tax in the income statement</b>	<b>(38 097)</b>	<b>(35 411)</b>

**Other information**

	6 months ended	
	30 June 2020	30 June 2019
Reversal of impairment write-downs against inventories	2 158	5 585
Value of property, plant and equipment and intangible assets purchased or started to be leased:	76 681	69 724
- of which: plant and machinery	39 401	4 946

As at 30 June 2020 contractual obligations made by the Group for the purchase of property, plant and equipment amounted to PLN 41 381 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 first half of 2020 the Budimex Group recorded an increase in the level of cash and cash equivalents. This is mainly related to the postponement of the dividend payment date to the second half of 2020. Additionally, as at 30 June 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. 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 operating segments:

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

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

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

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

- Budimex Nieruchomości Sp. z o.o.
- SPV-PIM 1 Sp. z o.o. (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, among others, production and activities contracted 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 (consolidated using the full method as of 3 July 2019)
- FBSerwis A Sp. z o.o. (consolidated using the full method as of 3 July 2019)
- FBSerwis B Sp. z o.o. (consolidated using the full method as of 3 July 2019)
- FBSerwis Dolny Śląsk Sp. z o.o. (consolidated using the full method as of 3 July 2019)
- FBSerwis Wrocław Sp. z o.o. (consolidated using the full method as of 3 July 2019)
- FBSerwis Karpatia Sp. z o.o. (consolidated using the full method as of 3 July 2019)
- FBSerwis Kamieński Sp. z o.o. (consolidated using the full method as of 3 July 2019)

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

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

Segment name	Construction business	Property management and developer business	Service activities	Consolidation adjustments	Consolidated value
External sales	3 184 954	274 271	275 211	-	3 734 436
Inter-segment sales	196 316	421	2 133	(198 870)	-
<b>Total sales of finished goods, goods for resale and raw materials</b>	<b>3 381 270</b>	<b>274 692</b>	<b>277 344</b>	<b>(198 870)</b>	<b>3 734 436</b>
<b>Gross profit</b>	<b>230 809</b>	<b>74 425</b>	<b>43 312</b>	<b>(20 995)</b>	<b>327 551</b>
Selling expenses	(5 318)	(8 469)	-	-	(13 787)
Administrative expenses	(101 808)	(12 812)	(16 011)	7 258	(123 373)
Other operating income/(expenses), net	(39 634)	3 778	2 074	-	(33 782)
<b>Operating profit</b>	<b>84 049</b>	<b>56 922</b>	<b>29 375</b>	<b>(13 737)</b>	<b>156 609</b>
Finance income/(costs), net	(10 713)	4 513	1 939	198	(4 063)
Shares in profits of equity accounted subordinates	-	-	42	-	42
Income tax expense	(23 208)	(11 766)	(5 695)	2 572	(38 097)
<b>Net profit for the period</b>	<b>50 128</b>	<b>49 669</b>	<b>25 661</b>	<b>(10 967)</b>	<b>114 491</b>

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

Segment name	Construction business	Property management and developer business	Service activities	Consolidation adjustments	Consolidated value
External sales	2 934 511	312 448	1 462	-	3 248 421
Inter-segment sales	191 118	435	5	(191 558)	-
<b>Total sales of finished goods, goods for resale and raw materials</b>	<b>3 125 629</b>	<b>312 883</b>	<b>1 467</b>	<b>(191 558)</b>	<b>3 248 421</b>
<b>Gross profit</b>	<b>151 039</b>	<b>70 285</b>	<b>848</b>	<b>(12 791)</b>	<b>209 381</b>
Selling expenses	(5 236)	(8 852)	-	-	(14 088)
Administrative expenses	(101 546)	(12 866)	(45)	7 369	(107 088)
Other operating income, net	18 465	4 699	13	-	23 177
<b>Operating profit</b>	<b>62 722</b>	<b>53 266</b>	<b>816</b>	<b>(5 422)</b>	<b>111 382</b>
Finance income/ (costs), net	(9 773)	1 861	(75)	(211)	(8 198)
Shares in profits of equity accounted subordinates	-	-	4 760	-	4 760
Income tax expense	(26 035)	(10 577)	134	1 067	(35 411)
<b>Net profit for the period</b>	<b>26 914</b>	<b>44 550</b>	<b>5 635</b>	<b>(4 566)</b>	<b>72 533</b>

## **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 half of 2020 net sales of finished goods, services, goods for resale and raw materials, by type of good or service, were as follows:

Segment name	Construction business	Property management and developer business	Service activities	Consolidation adjustments	Consolidated financial data
Sales of construction and assembly services	3 345 179	-	-	(188 822)	<b>3 156 357</b>
Sales of other services	3 183	1 306	277 344	(10 048)	<b>271 785</b>
Sales of finished goods	24 990	273 386	-	-	<b>298 376</b>
Sales of goods for resale and raw materials	7 918	-	-	-	<b>7 918</b>
<b>Total sales of finished goods, goods for resale and raw materials</b>	<b>3 381 270</b>	<b>274 692</b>	<b>277 344</b>	<b>(198 870)</b>	<b>3 734 436</b>

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

Segment name	Construction business	Property management and developer business	Service activities	Consolidation adjustments	Consolidated financial data
Sales of construction and assembly services	3 078 625	-	-	(183 906)	<b>2 894 719</b>
Sales of other services	22 624	4 229	1 467	(7 652)	<b>20 668</b>
Sales of finished goods	21 158	306 604	-	-	<b>327 762</b>
Sales of goods for resale and raw materials	3 222	2 050	-	-	<b>5 272</b>
<b>Total sales of finished goods, goods for resale and raw materials</b>	<b>3 125 629</b>	<b>312 883</b>	<b>1 467</b>	<b>(191 558)</b>	<b>3 248 421</b>

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

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

Segment name	Construction business	Property management and developer business	Service activities	Consolidation adjustments	Consolidated financial data
Poland	3 168 790	274 692	277 209	(198 870)	<b>3 521 821</b>
Germany	121 662	-	135	-	<b>121 797</b>
Other EU countries	86 866	-	-	-	<b>86 866</b>
Other countries*	3 952	-	-	-	<b>3 952</b>
<b>Total sales of finished goods, goods for resale and raw materials</b>	<b>3 381 270</b>	<b>274 692</b>	<b>277 344</b>	<b>(198 870)</b>	<b>3 734 436</b>

\*other countries include Senegal

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

Segment name	Construction business	Property management and developer business	Service activities	Consolidation adjustments	Consolidated financial data
Poland	2 950 111	312 883	1 467	(191 558)	<b>3 072 903</b>
Germany	102 309	-	-	-	<b>102 309</b>
Other EU countries	69 197	-	-	-	<b>69 197</b>
Other countries*	4 012	-	-	-	<b>4 012</b>
<b>Total sales of finished goods, goods for resale and raw materials</b>	<b>3 125 629</b>	<b>312 883</b>	<b>1 467</b>	<b>(191 558)</b>	<b>3 248 421</b>

\*other countries include 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 first half of 2020 and the first half of 2019 were as follows:

Type of construction	Sales revenue for a 6-month period ended:	
	30 June 2020	30 June 2019
Land-engineering	1 441 130	1 300 716
Railway	675 932	372 468
General construction, of which:	1 264 208	1 452 445
- non-housing	959 281	1 144 739
- housing	304 927	307 706
<b>Net sales of finished goods, goods for resale and raw materials –Construction business segment</b>	<b>3 381 270</b>	<b>3 125 629</b>

## 10. Related party transactions

Transactions with related parties made in the first half of 2020 and in the first half of 2019 and unsettled balances of receivables and liabilities as at 30 June 2020 and 31 December 2019 are presented in the tables below:

	Receivables		Liabilities	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Parent and its related parties (the Ferrovial Group)	29	2 493	80 010	22 781
Jointly controlled entities	3 241	5 097	784	840
Associates	98	108	46	48
Other related entities – non-consolidated subsidiaries*	-	95	-	-
Other related entities – other*	7	4	-	-
Other related entities – through key personnel*	-	-	2 754	4 519
<b>Total settlements with related parties</b>	<b>3 375</b>	<b>7 797</b>	<b>83 594</b>	<b>28 188</b>

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	Sales of finished goods and services & other operating income		Purchase of finished goods and services & other operating expenses	
	6-month period ended 30 June		6-month period ended 30 June	
	2020	2019	2020	2019
Parent and its related parties (the Ferrovial Group)	-	-	(13 970)	(21 283)
Jointly controlled entities	4 012	8 147	(28)	-
Associates	11	3 387	(658)	(1 147)
Other related entities – non-consolidated subsidiaries*	-	-	-	-
Other related entities – through key personnel*	367	18	(221)	(2)
<b>Total transactions with related parties</b>	<b>4 390</b>	<b>11 552</b>	<b>(14 877)</b>	<b>(22 432)</b>

	Finance income		Finance costs	
	6-month period ended 30 June		6-month period ended 30 June	
	2020	2019	2020	2019
Parent and its related parties (the Ferrovial Group)	-	-	-	(12)
Associates	-	2 103	-	-
<b>Total transactions with related parties</b>	<b>-</b>	<b>2 103</b>	<b>-</b>	<b>(12)</b>

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

As at 30 June 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 half-year**

The main factors that may affect the financial situation of the Group at least in the next half-year 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 realised contracts,
- level of competition in public tenders,
- intensification of actions aimed at recovery of overdue debts, which were provided for and strengthening the operational and financial control in respect of contracts realised,
- results of the pending legal proceedings, described in more detail in note 16 to these consolidated financial statements,
- changes of tax regulations affecting the construction sector,
- decrease in interest rates, radically limiting the profitability of bank deposits.

**12. Description of significant achievements or failures of the Budimex Group in the I half-year of 2020, key events concerning the Group's operations and significant events after 30 June 2020**

In the first half 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 the full consolidation of FBSerwis in the services segment and also a noticeable increase in the turnover and profitability in the construction segment. Improvement of the financial results can be also observed in the developer segment, which was a consequence of a change in geographic structure of notary sales and also a stable margin recognized on signed notary deeds. Presales of flats in the I half amounted to 816 units (without reservations) and increased in comparison to 731 presold units in corresponding period of the previous year. Increase in the presales is a consequence of new projects introduction which took place in I quarter. In the II quarter of 2020, as a consequence of the sanitary restrictions introduced due to the epidemic state in Poland, presales dynamics lowered. However, since May, demand for flats started to rebuild which resulted with signing of 275 new presales agreements in the II quarter of 2020. Purchase of more than a half of presold flats was financed without the bank loans (cash payments). Thus, there are no indications of impairment of inventories in the developer segment.

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, favourable weather conditions positively affected the efficiency of realization of the projects despite the winter season, which also resulted in the relatively high sales revenues in the analyzed period. Profitability of newly signed contracts has also improved.

The construction portfolio of the Budimex Group is profitable and ensures adequate workload for subsequent quarters. In the last half-year the Group significantly increased the value of the order portfolio in a road infrastructure segment, which will allow to optimize production capacity in the segment in the upcoming quarters. In addition, on the 7th July 2020 Budimex SA signed a contract for the construction works related to the redevelopment of railway station Warszawa Zachodnia which total value amounts to PLN 1.76 billion. Due to that fact, we expect further dynamic growth of the railway segment share in the project portfolio and in the sales income structure of the Budimex Group.

The order portfolio as at 30 June 2020 amounted to PLN 11 564 024 thousand. The value of contracts signed in the period January – June 2020 amounted to PLN 3 819 680 thousand.

The cash position of the Budimex Group is stable and allows for uninterrupted operation. Due to the difficult market situation, earlier payments for subcontractors and suppliers are consistently offered. 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 36 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 a 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 I half 2020 Budimex Group transferred PLN 2.6 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 the local societies to counteract against spreading of the pandemic.

Until the moment of preparation of these consolidated financial statements, the situation related to the coronavirus outbreak has not changed significantly compared to 30 June 2020.

In the period from 30 June 2020 to the date of preparation of these condensed consolidated financial statements no other significant events took place.



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

In the first half-year 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 half-year 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 half-year 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 has been no change in the status of ownership since 31 December 2019.

**16. Proceedings pending as at 30 June 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 June 2020 was PLN 689 579 thousand. Excess of the value of proceedings against Group companies over proceedings relating to claims of Group companies amounted to PLN 47 123 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 30 June 2020 was PLN 368 351 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.



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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 jėgainė" 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.

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 321 228 thousand as at 30 June 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.

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**17. Contingent assets and contingent liabilities**

	30 June 2020	31 December 2019
<b><u>Contingent assets</u></b>		
<b>From other entities</b>		
– guarantees and sureties received	619 398	571 994
– bills of exchange received as security	4 362	5 079
<b>From other entities, total</b>	<b>623 760</b>	<b>577 073</b>
<b>Total contingent assets</b>	<b>623 760</b>	<b>577 073</b>
<b><u>Contingent liabilities</u></b>		
<b>To other entities, of which:</b>		
– guarantees and sureties issued	4 229 033	3 904 245
– promissory notes issued as performance bond	26 512	117 293
<b>To other entities, total</b>	<b>4 255 545</b>	<b>4 021 538</b>
<b>Other contingent liabilities</b>	<b>167</b>	<b>167</b>
<b>Total contingent liabilities</b>	<b>4 255 712</b>	<b>4 021 705</b>
<b>Total contingent items</b>	<b>(3 631 952)</b>	<b>(3 444 632)</b>

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

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

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

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**budimex**

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

Name of the company which issued a guarantee or surety	Name of the (company) entity which received a surety or a guarantee	Total value of guarantees or sureties issued	Period of guarantees or sureties issuance	Financial conditions in respect of guarantees and sureties issued	Type of relations between Budimex SA and the entity which took out a guarantee or surety
Budimex SA	Mostostal Kraków SA	106 995	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.	281 737*	2029-10-15	free of charge	subsidiary
Budimex SA	Budimex Nieruchomości Sp. z o.o.	6	2023-03-18	against payment	subsidiary
Budimex SA	Budimex Bau GmbH	46	2020-12-31	free of charge	subsidiary
Budimex SA	Budimex Kolejnictwo SA	72 927	2029-11-30	against payment	subsidiary
Budimex SA	FBSerwis SA	42 545	2030-04-15	against payment	subsidiary
<b>TOTAL</b>		<b>504 397</b>			

\*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	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
<b>TOTAL</b>		<b>588 816</b>			

\*sureties were issued for contracts carried out by Budimex SA

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Warsaw, 20 August 2020

Dariusz Blocher President of the Management Board	
Artur Popko Vice-President of the Management Board	
Jacek Daniewski Member of the Management Board	
Cezary Mączka Member of the Management Board	
Marcin Węglowski Member of the Management Board	
Grzegorz Fąfara Chief Accountant	

*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.*