



BUDIMEX SA

CONDENSED FINANCIAL STATEMENTS

for III quarters 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)

Statement of financial position

ASSETS	30 September 2020	31 December 2019
	<i>unaudited</i>	<i>audited</i>
Non-currents assets (long-term)		
Property, plant and equipment	228 321	211 609
Intangible assets	33 735	32 374
Investments in subsidiaries	1 042 419	1 042 194
Investments in associates	191	191
Investments in other entities	4 385	4 385
Other financial assets	1 850	2 038
Trade and other receivables	29 915	22 823
Retentions for construction contracts	81 089	91 740
Deferred tax asset	476 622	382 864
Total non-current assets (long-term)	1 898 527	1 790 218
Current assets		
Inventories	437 410	477 879
Trade and other receivables	834 447	946 350
Retentions for construction contracts	36 579	58 023
Valuation of construction contracts	734 074	415 362
Other financial assets	1 566	123 638
Cash and cash equivalents	1 737 618	1 182 654
Total current assets (short-term)	3 781 694	3 203 906
TOTAL ASSETS	5 680 221	4 994 124

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Statement of financial position (cont.)

EQUITY AND LIABILITIES	30 September 2020	31 December 2019
	<i>unaudited</i>	<i>audited</i>
Equity		
Issued capital	145 848	145 848
Share premium	80 199	80 199
Other reserves	51 165	51 165
Cumulative translation differences	6 897	7 293
Retained earnings	464 805	393 896
Total equity	748 914	678 401
Liabilities		
Long-term liabilities		
Loans, borrowings and other external sources of finance	114 309	106 211
Retentions for construction contracts	220 369	213 687
Provision for long-term liabilities and other charges	459 689	353 932
Retirement benefits and similar obligations	11 497	11 497
Other financial liabilities	-	197
Total long-term liabilities	805 864	685 524
Short-term liabilities		
Loans, borrowings and other external sources of finance	60 289	54 253
Trade and other payables	1 515 624	1 300 098
Retentions for construction contracts	197 696	206 465
Provisions for construction contract losses	346 312	241 789
Valuation of construction contracts	1 109 362	952 684
Deferred income	541 848	585 910
Provisions for current liabilities and other charges	221 778	208 790
Current tax liability	131 177	78 102
Retirement benefits and similar obligations	1 327	1 327
Other financial liabilities	30	781
Total short-term liabilities	4 125 443	3 630 199
Total liabilities	4 931 307	4 315 723
TOTAL EQUITY AND LIABILITIES	5 680 221	4 994 124

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Income statement

	Note	9-month period ended 30 September		3-month period ended 30 September	
		2020	2019	2020	2019
		unaudited		unaudited	
Continuing operations					
Net sales of finished goods, goods for resale, raw materials and services	3,7	5 318 949	4 975 374	2 067 632	1 958 915
Cost of finished goods, goods for resale, raw materials and services sold		(4 945 041)	(4 733 237)	(1 907 630)	(1 860 973)
Gross profit on sales		373 908	242 137	160 002	97 942
Selling expenses	3	(7 918)	(7 819)	(2 658)	(2 692)
Administrative expenses	3	(143 512)	(110 507)	(45 914)	(12 285)
Other operating income	4	75 712	58 837	28 210	23 858
Other operating expenses	4	(103 724)	(39 344)	(19 979)	(25 810)
Operating profit		194 466	143 304	119 661	81 013
Finance income	5	74 007	95 343	703	10 705
Finance costs	5	(27 418)	(26 008)	(9 102)	(8 791)
Gross profit		241 055	212 639	111 262	82 927
Income tax	6	(53 729)	(58 877)	(32 588)	(34 301)
Net profit from continuing operations		187 326	153 762	78 674	48 626
Net profit for the period		187 326	153 762	78 674	48 626
<i>Basic and diluted earnings per share attributable to the shareholders (in PLN)</i>		7.34	6.02	3.08	1.90

Statement of comprehensive income

	9-month period ended 30 September		3-month period ended 30 September	
	2020	2019	2020	2019
	unaudited		unaudited	
Net profit for the period	187 326	153 762	78 674	48 626
Other comprehensive income for the period, which:				
<i>Will be subsequently reclassified to profit or loss:</i>				
Foreign exchange differences on translation of foreign branch	(396)	546	(343)	393
Deferred tax related to components of other comprehensive income	-	-	-	-
<i>Will not be subsequently reclassified to profit or loss:</i>				
Actuarial gains/(losses)	-	-	-	-
Income tax related to components of other comprehensive income	-	-	-	-
Other comprehensive income, net of tax	(396)	546	(343)	393
Total comprehensive income for the period	186 930	154 308	78 331	49 019

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**Statement of changes in equity**

	Issued capital	Share premium	Other reserves	Cumulative translation differences	Retained earnings	Total equity
Balance as at 1 January 2020 <i>audited</i>	145 848	80 199	51 165	7 293	393 896	678 401
Profit for the period	-	-	-	-	187 326	187 326
Other comprehensive income	-	-	-	(396)	-	(396)
Total comprehensive income for the period	-	-	-	(396)	187 326	186 930
Dividend paid	-	-	-	-	(116 417)	(116 417)
Balance as at 30 September 2020 <i>unaudited</i>	145 848	80 199	51 165	6 897	464 805	748 914

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Statement of changes in equity (cont.)

	Issued capital	Share premium	Other reserves	Cumulative translation differences	Retained earnings	Total equity
Balance as at 1 January 2019 <i>audited</i>	145 848	80 199	51 356	7 159	322 012	606 574
Profit for the period	-	-	-	-	153 762	153 762
Other comprehensive income	-	-	-	546	-	546
Total comprehensive income for the period	-	-	-	546	153 762	154 308
Dividend paid	-	-	-	-	(160 839)	(160 839)
Balance as at 30 September 2019 <i>unaudited</i>	145 848	80 199	51 356	7 705	314 935	600 043
Profit for the period	-	-	-	-	78 961	78 961
Other comprehensive income	-	-	(191)	(412)	-	(603)
Total comprehensive income for the period	-	-	(191)	(412)	78 961	78 358
Balance as at 31 December 2019 <i>audited</i>	145 848	80 199	51 165	7 293	393 896	678 401

(all amounts are expressed in PLN thousand)

Cash flow statement

	9-month period ended 30 September	
	2020	2019
	<i>unaudited</i>	
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	241 055	212 639
Adjustments:		
Depreciation/ amortization	58 193	51 397
Foreign exchange (gains)/ losses	874	(510)
Interest and shares in profits (dividends)	(61 584)	(81 084)
(Profit)/ loss on disposal of investments	(1 432)	(3 391)
Change in valuation of derivative financial instruments	(2 019)	3 020
Change in provisions and liabilities arising from retirement benefits and similar obligations	118 745	59 695
Other adjustments	(403)	581
Operating profit before changes in working capital	353 429	242 347
Change in receivables and retentions for construction contracts	199 673	(234 795)
Change in inventories	40 469	(148 762)
Change in retentions for construction contracts and in liabilities, except for loans and borrowings	213 715	(74 745)
Change in valuation of construction contracts and provision for losses on construction contracts	(57 511)	(139 000)
Change in deferred income	(44 062)	142 205
Change in cash and cash equivalents of restricted use	(40 946)	(2 547)
Cash from / (used in) operations	664 767	(215 297)
Income tax paid	(94 412)	(9 341)
NET CASH FROM / (USED IN) OPERATING ACTIVITIES	570 355	(224 638)
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of intangible assets and property, plant and equipment	1 659	1 664
Purchase of intangible assets and property, plant and equipment	(17 483)	(13 825)
Proceeds from sale of investment properties	-	5 323
Purchase of shares in related parties	(225)	(98 570)
Purchase of bonds issued by banks	(269 079)	-
Proceeds from bonds issued by banks	388 667	-
Dividend received	-	1 226
Loans granted	-	(62 000)
Repayment of loans granted	43	12 600
Interest received	4 962	2 384
NET CASH (USED IN) / FROM INVESTING ACTIVITIES	108 544	(151 198)

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Cash flow statement (cont.)

	9-month period ended 30 September	
	2020	2019
	<i>unaudited</i>	
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid	(116 417)	(160 839)
Repayment of loans and borrowings	-	(9 003)
Payment of liabilities under lease	(46 641)	(37 069)
Interest paid	(2 808)	(3 351)
NET CASH USED IN FINANCING ACTIVITIES	(165 866)	(210 262)
TOTAL NET CASH FLOW	513 033	(586 098)
Foreign exchange differences on cash and cash equivalents, net	985	483
CASH AND CASH EQUIVALENTS – OPENING BALANCE (note 2.2)	1 168 231	1 136 291
CASH AND CASH EQUIVALENTS – CLOSING BALANCE (note 2.2)	1 682 249	550 676

1. General information

Budimex SA (the "Company", the "Issuer") with its registered office in Warsaw, 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 these financial statements**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, except as described below. 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 30 September 2020, 31 December 2019 and 30 September 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		
	30 September 2020	31 December 2019	30 September 2019
Budimex SA Cadagua SA III s.c.	99.90%	99.90%	99.90%
Budimex SA Cadagua SA IV s.c.	99.90%	99.90%	99.90%
Budimex SA Cadagua SA V s.c.	99.90%	99.90%	99.90%
Budimex SA Ferrovial Agroman SA 2 s.c.	95.00%	95.00%	95.00%
Budimex SA Sygnity SA Sp. j.	67.00%	67.00%	67.00%
Budimex SA Ferrovial Construcción SA Sp. j.*	50.00%	50.00%	50.00%
Budimex SA Tecnicas Reunidas SA Turów s.c.	50.00%	50.00%	50.00%
Budimex SA Ferrovial Agroman SA s.c.**	-	99.98%	99.98%
Budimex SA Cadagua SA II s.c.***	-	99.90%	99.90%
Budimex SA Energetyka 3 Sp.j.****	-	50.00%	50.00%

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

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

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

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

Amendments to standards effective in 2020

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;
- Amendments to IFRS 3 „Business Combinations”;
- Amendments to IFRS 16 „Leases” Covid 19-Related Rent Concessions.

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 2023),
- Amendments to IFRS 10 „Consolidated financial statements” and IAS 28 „Investments in associates and joint ventures” – Sale or contribution of assets between an investor and its associate or joint venture – the endorsement process has been postponed by the EU indefinitely – the effective date has been postponed by the IASB indefinitely,
- Amendments to IAS 1 „Presentation of Financial Statements” – Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current – Deferral of Effective Date (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IFRS 3 „Business Combinations”, IAS 16 „Property, Plant and Equipment” and IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” (effective for annual periods beginning on or after 1 January 2022),
- Annual Improvements to IFRSs (Cycle 2018-2020), effective for annual periods beginning on or after 1 January 2022,
- Amendments to IFRS 4 „Insurance Contracts” – deferral of IFRS 9 (effective for annual periods beginning on or after 1 January 2021),
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (effective for annual periods beginning on or after 1 January 2021).

The above 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.

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	30 September 2020	31 December 2019	30 September 2019
Cash recognised in the statement of financial position	1 737 618	1 182 654	576 527
Cash and cash equivalents of restricted use	(55 369)	(14 423)	(25 851)
Cash recognised in the statement of cash flow	1 682 249	1 168 231	550 676

2.3. Going concern

The financial statements of the Company were prepared on the assumption that the Company will continue as a going concern in the foreseeable future. As at the date of preparation of 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. COVID-19 pandemic has not had any impact on the going concern assumption of the Company.

As at 30 September 2020 the excess of the current liabilities over the current assets amounted to PLN 343 749 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 30 September 2020 amounted to PLN 595 147 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

	9-month period ended			3-month period ended		
	30 September 2020	30 September 2019	Change %	30 September 2020	30 September 2019	Change %
Net sales of finished goods and services	5 318 949	4 975 374	6.91%	2 067 632	1 958 915	5.55%
Gross profit on sales	373 908	242 137	54.42%	160 002	97 942	63.36%
Gross profitability on sales	7.03%	4.87%	2.16 p.p.	7.74%	5.00%	2.74 p.p.
Operating profit	194 466	143 304	35.70%	119 661	81 013	47.71%
Operating profitability	3.66%	2.88%	0.78 p.p.	5.79%	4.14%	1.65 p.p.
Net profit	187 326	153 762	21.83%	78 674	48 626	61.79%
Net profitability	3.52%	3.09%	0.43 p.p.	3.81%	2.48%	1.33 p.p.

Selling and administrative expenses

	9-month period ended			3-month period ended		
	30 September 2020	30 September 2019	Change %	30 September 2020	30 September 2019	Change %
Selling expenses	(7 918)	(7 819)	1.27%	(2 658)	(2 692)	(1.26%)
Administrative expenses	(143 512)	(110 507)*	29.87%	(45 914)	(12 285)*	273.74%
Total selling & administrative expenses	(151 430)	(118 326)	27.98%	(48 572)	(14 977)	224.31%
Share of selling & administrative expenses in net sales of finished goods and services	2.85%	2.38%	0.47 p.p.	2.35%	0.76%	1.59 p.p.

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

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

4. Other operating income and expenses**Other operating income**

	9-month period ended		3-month period ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
Gains on the sale of non-financial non-current assets	1 390	3 581	381	298
Reversal of impairment write-downs against receivables	2 406	7 950	709	763
Reversal of provisions for penalties and sanctions	44 657	11 507	18 649	5 841
Penalties/ compensations awarded	21 721	29 391	6 304	15 696
Statute-barred liabilities written-off	638	4 675	211	329
Gains on derivative financial instruments	3 142	539	1 779	534
Subsidies received	127	539	127	-
Other	1 631	655	50	397
Total	75 712	58 837	28 210	23 858

Other operating expenses

	9-month period ended		3-month period ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
Impairment write-downs against receivables	(27 410)	(2 894)	(5 991)	372
Impairment write-downs against inventory	(2 923)	-	(2 923)	-
Compensations and liquidated damages paid	(17 890)	(6 193)	(598)	(2 115)
Donations	(3 038)	(640)	(158)	(224)
Court charges	(618)	(1 752)	(239)	(636)
Creation of provisions for penalties and sanctions	(50 455)	(27 798)	(9 363)	(23 204)
Creation of provisions for litigation	(1 376)	-	(705)	-
Other	(14)	(67)	(2)	(3)
Total	(103 724)	(39 344)	(19 979)	(25 810)

All valued derivative instrument contracts were classified as level 2 in the fair value hierarchy. During the 9 months ended 30 September 2020 and 30 September 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. The fair value of financial instruments owned by the Company is similar to their carrying value.

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

	9-month period ended		3-month period ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
Dividends	63 192	80 125	-	4 463
Interest earned	9 070	14 513	1 247	5 537
Foreign exchange gains	1 743	705	(546)	705
Other	2	-	2	-
Total	74 007	95 343	703	10 705

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Finance cost

	9-month period ended		3-month period ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
Interest expense	(3 436)	(4 686)	(1 237)	(1 657)
Discount of retentions for construction contracts	(4 826)	(4 813)	(1 130)	(1 410)
Cost of bank commissions and guarantees	(19 142)	(16 483)	(6 737)	(5 841)
Foreign exchange losses	-	-	-	116
Other	(14)	(26)	2	1
Total	(27 418)	(26 008)	(9 102)	(8 791)

6. Other significant information on activity of Budimex SA in the period of three quarters of 2020

Provisions for liabilities and other charges

	30 September 2020	31 December 2019
Provisions for litigation proceedings	24 371	22 990
Provisions for penalties and other sanctions	118 949	113 151
Provisions for warranty repairs	538 147	426 581
Total	681 467	562 722
<i>of which:</i>		
- long-term	459 689	353 932
- short-term	221 778	208 790

Income tax in the income statement

	30 September 2020	30 September 2019
Income tax – current	(147 487)	(94 377)
Income tax – deferred	93 758	35 500
Income tax in the income statement	(53 729)	(58 877)

Other information

	9-month period ended	
	30 September 2020	30 September 2019
Value of property, plant and equipment and intangible assets purchased or started to be leased:	76 563	100 316
- of which: plant and machinery	37 705	9 471

As at 30 September 2020 contractual obligations made by the Company for the purchase of property, plant and equipment amounted to PLN 190 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.

In the 9-month period of 2020 Budimex SA recorded an increase in the level of cash and cash equivalents, which results, inter alia, from high operating flows realized in the initial phase of newly signed infrastructure contracts. In addition, as at 30 September 2020, there was a cyclical increase in the balance of the valuation of construction contracts on the asset side compared to the end of 2019, related to a higher scale of work performed and not invoiced. On the other hand, the increase in the balance of long-term provisions results from the identified risk of the necessity to perform warranty repairs on the ongoing and completed construction contracts. Apart from that, there were no other significant changes in the items of the statement of financial position.

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

7. Net sales of finished goods, goods for resale, raw materials and services, by category

In the 9-month period of 2020 and 2019 net sales of finished goods, goods for resale, raw materials and services, by type of good or service, were as follows:

Product/service type	9-month period ended	
	30 September 2020	30 September 2019
Sales of construction and assembly services	5 275 851	4 929 455
Sales of other services	25 703	37 438
Sales of goods for resale and raw materials	17 395	8 481
Total sales of finished goods, goods for resale, raw materials and services	5 318 949	4 975 374

In the 9-month period of 2020 and 2019 net sales of finished goods, goods for resale, raw materials and services, by geographical area, were as follows:

Region	9-month period ended	
	30 September 2020	30 September 2019
Poland	5 093 159	4 747 195
Germany	137 929	138 496
Other EU countries	87 861	89 683
Total sales of finished goods, goods for resale, raw materials and services	5 318 949	4 975 374

In the 9-month period of 2020 and 2019 net sales of finished goods, goods for resale, raw materials and services, by type of construction, were as follows:

Type of construction	9-month period ended	
	30 September 2020	30 September 2019
Land-engineering	2 502 724	2 172 977
Railway	1 044 726	789 261
General construction, of which:	1 728 401	1 967 217
- non-housing	1 281 342	1 479 902
- housing	447 059	487 315
Other	43 098	45 919
Total sales of finished goods, goods for resale, raw materials and services	5 318 949	4 975 374

8. Related party transactions

Transactions with related parties made in the 9-month period of 2020 and 2019 and unsettled balances of receivables and liabilities as at 30 September 2020 and 31 December 2019 are presented in the tables below.

Transactions with related parties are made on an arm's length basis.

	Receivables		Liabilities	
	30 September 2020	31 December 2019	30 September 2020	31 December 2019
Parent Company and related parties (the Ferrovia Group)	-	2 493	18 950	22 261
Subsidiary companies	238 131	157 057	12 720	16 992
Associates	48	56	3	2
Jointly controlled entities	1 974	2 172	707	759
Other related parties - other	17	4	-	-
Total	240 170	161 782	32 380	40 014

BUDIMEX SA

Condensed financial statements for III quarters of 2020
prepared in accordance with International Financial Reporting Standards



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

	Loans granted		Loans taken out	
	30 September 2020	31 December 2019	30 September 2020	31 December 2019
Subsidiary companies	1 758	5 369	-	-
Total	1 758	5 369	-	-

	Sales of finished goods and services and other operating income		Purchase of finished goods and services and other operating expenses	
	9-month period ended 30 September		9-month period ended 30 September	
	2020	2019	2020	2019
Parent Company and related parties (the Ferrovia Group)	-	-	(20 526)	(6 204)
Subsidiary companies	697 949	567 147	(62 612)	(42 456)
Associates	-	3 376	(437)	(1 181)
Jointly controlled entities	412	453	-	-
Other related entities - other	10	-	-	-
Other related entities – through key personnel*	-	-	(211)	(2)
Total transactions with related parties	698 371	570 976	(83 786)	(49 843)

	Finance income		Finance costs	
	9-month period ended 30 September		9-month period ended 30 September	
	2020	2019	2020	2019
Parent Company and related parties (the Ferrovia Group)	-	-	-	(12)
Subsidiary companies	63 256	82 342	-	-
Associates	-	2 103	-	-
Total transactions with related parties	63 256	84 445	-	(12)

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

9. Description of significant achievements or failures of Budimex SA in the III quarter of 2020, key events concerning the Company's operations and significant events after 30 September 2020

In the period of three quarters of 2020 the results of Budimex SA have 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 progressive cost inflation. Stabilization of materials and services prices observed in the last quarters positively affected the average profitability of the project portfolio in infrastructure, railway and, apart from standalone projects, general construction segments. In addition, favorable weather conditions positively affected the efficiency of realization of the projects which also resulted in the relatively high sales revenues in analyzed period. Moreover, profitability of the newly signed contracts in general construction and infrastructure segments is constantly improving.

The order portfolio of Budimex SA is profitable and ensures adequate workload for subsequent quarters. In the three quarters the Company increased the value of the order portfolio in the road infrastructure by signing new contracts in "design and build" formula in the amount of PLN 3.1 billion, which will allow to optimize production capacity in the segment in the upcoming 2-3 years. What is more, on the 7th July 2020 the Company 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. That is why a further dynamic growth of the railway segment share in sales structure of Budimex SA is expected.

As a result of improved profitability of ongoing contracts and also thanks to the effective working capital management and received advances, cash position of the Company is stable and allows for uninterrupted operation. Noticeable increase of cash is also supported by positive operating inflows, generated in the first stages of new infrastructure contracts. Taking into account a relatively high level of cash the Company consistently offers earlier payments for subcontractors and suppliers, supporting their liquidity in the difficult market situation. On the other hand we also do observe 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.

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 Company's website.

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 estimates of the Company the impact on the operating profit amounts to approximately minus PLN 31 million. Threat related to the spreading of the coronavirus resulted in changes in work organization rules, among others, by the introduction of a temporary possibility of remote work, providing disinfection measures for employees or reorganization of the office space to ensure compliance with the recommendations of the Main Sanitary Inspectorate. Currently, contracts are performed without major disruptions, we do not observe any significant problems which might affect suppliers or subcontractors. Cooperation with clients is effective and adapted to the current reality, and payments for completed works are settled on time.

During three quarters of 2020 Budimex SA transferred more than PLN 2 million in a form of donations and grants to fight against the effects of coronavirus pandemic. The Company donated hospitals, nursing homes and other medical facilities where COVID-19 patients are treated. Part of donations was also granted to public benefit organizations which help the local communities to counteract against spreading of the pandemic.

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

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

10. Proceedings pending as at 30 September 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 30 September 2020 was PLN 685 948 thousand. Excess of the value of proceedings against Budimex SA over proceedings relating to claims of the Company amounted to PLN 41 410 thousand.

On the basis of the information at hand, the total value of legal proceedings pending in respect of liabilities of Budimex SA as at 30 September 2020 was PLN 363 679 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*).

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

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

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

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

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

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

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 322 269 thousand as at 30 September 2020. Apart from the above described case brought by Budimex SA against Steinmüller Babcock Environment GmbH, the remaining 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.

11. Contingent assets and contingent liabilities

	30 September 2020	31 December 2019
<u>Contingent assets</u>		
From related entities, of which:	1 372	2 080
– bills of exchange received as security	1 372	2 080
From other entities, of which:	611 615	548 203
– guarantees and sureties received	600 600	544 100
– bills of exchange received as security	11 015	4 103
Total contingent assets	612 987	550 283
<u>Contingent liabilities</u>		
To related entities, of which:	522 285	588 816
– guarantees and sureties issued	522 285	588 816
To other entities, of which:	3 936 636	3 386 236
– guarantees and sureties issued	3 915 875	3 367 913
– promissory notes issued as security	20 761	18 323
Other contingent liabilities	147	167
Total contingent liabilities	4 459 068	3 975 219
Total off-balance sheet items	(3 846 081)	(3 424 936)

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 its customers.

President of the Board

Board Member

Dariusz Blocher

Marcin Węglowski

Warsaw, 28 October 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.