



THE BUDIMEX GROUP

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for 1 half of 2021

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

The BUDIMEX Group

The condensed consolidated financial statements for I half of 2021
prepared in accordance with International Financial Reporting Standards



(all amounts are expressed in PLN thousand)

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Consolidated statement of financial position

ASSETS	30 June 2021 <i>audited</i>	31 December 2020 <i>audited</i>
Non-current (long-term) assets		
Property, plant and equipment	528 585	548 812
Investment properties	-	9 876
Intangible assets	154 173	162 030
Goodwill of subordinated entities	168 508	168 508
Investments in equity accounted entities	2 288	2 221
Investments in equity instruments	10 257	6 922
Retentions for construction contracts	84 631	40 843
Trade and other receivables	27 601	28 550
Receivables from service concession agreement	46 643	46 654
Other financial assets	1 340	-
Deferred tax assets	521 926	521 851
Total non-current (long-term) assets	1 545 952	1 536 267
Current (short-term) assets		
Inventories	417 660	1 998 255
Trade and other receivables	1 022 761	918 039
Retentions for construction contracts	91 527	28 770
Valuation of construction contracts	723 219	594 315
Current tax assets	1 048	338
Other financial assets	1 713	1 858
Cash and cash equivalents	2 962 168	2 384 398
Total current (short-term) assets	5 220 096	5 925 973
TOTAL ASSETS	6 766 048	7 462 240

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Consolidated statement of financial position (cont.)

EQUITY AND LIABILITIES	30 June 2021 <i>audited</i>	31 December 2020 <i>audited</i>
Equity		
Issued capital	145 848	145 848
Share premium	87 163	87 163
Other reserves	(139)	(139)
Cumulative translation differences	3 440	6 473
Retained earnings	1 204 859	910 006
Shareholders' equity attributable to the shareholders of the Parent	1 441 171	1 149 351
Equity attributable to non-controlling interests	34 663	37 920
Total equity	1 475 834	1 187 271
Liabilities		
Non-current (long-term) liabilities		
Loans, borrowings and other external sources of finance	181 580	261 663
Retentions for construction contracts	231 232	240 263
Provision for long-term liabilities and other charges	579 090	593 398
Retirement benefits and similar obligations	17 620	18 505
Other financial liabilities	20 248	21 264
Deferred tax liabilities	1 166	4 642
Total non-current (long-term) liabilities	1 030 936	1 139 735
Current (short-term) liabilities		
Loans, borrowings and other external sources of finance	88 449	189 067
Trade and other payables	1 633 906	1 371 850
Retentions for construction contracts	201 591	216 458
Provisions for losses on construction contracts	413 129	310 441
Valuation of construction contracts	1 285 147	1 302 164
Deferred income	290 584	1 469 626
Provision for short-term liabilities and other charges	232 966	227 111
Current tax liability	110 569	44 815
Retirement benefits and similar obligations	1 611	1 623
Other financial liabilities	1 326	2 079
Total current (short-term) liabilities	4 259 278	5 135 234
Total liabilities	5 290 214	6 274 969
TOTAL EQUITY AND LIABILITIES	6 766 048	7 462 240

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Consolidated income statement

	Note	6-month period ended 30 June		3-month period ended 30 June	
		2021 <i>audited</i>	2020 <i>restated</i> <i>not audited</i>	2021 <i>not audited</i>	2020 <i>restated</i> <i>not audited</i>
Continuing operations					
Net sales of finished goods, goods for resale, raw materials and services	4, 9	3 241 092	3 460 165	1 996 306	1 990 177
Cost of finished goods, goods for resale, raw materials and services sold		(2 865 447)	(3 207 039)	(1 717 376)	(1 847 058)
Gross profit on sales		375 645	253 126	278 930	143 119
Selling expenses	4	(5 086)	(5 318)	(2 358)	(2 633)
Administrative expenses	4	(120 010)	(110 561)	(59 862)	(55 680)
Other operating income	5	43 907	50 987	8 725	27 865
Other operating expenses	5	(18 066)	(88 547)	(11 860)	(53 820)
Operating profit		276 390	99 687	213 575	58 851
Finance income	6	5 271	15 872	2 336	8 487
Finance costs	6	(22 130)	(24 448)	(11 072)	(12 099)
Share in net profits of equity accounted subordinates		67	42	21	22
Gross profit		259 598	91 153	204 860	55 261
Income tax	7	(51 154)	(26 331)	(42 808)	(20 660)
Net profit from continuing operations		208 444	64 822	162 052	34 601
Net profit from discontinued operations	1.3.1	520 508	49 669	495 476	55 928
Net profit for the period		728 952	114 491	657 528	90 529
<i>of which:</i>					
Attributable to the shareholders of the Parent, of which:		721 205	110 574	653 690	88 515
from continuing operations		200 697	60 905	158 214	32 587
from discontinued operations		520 508	49 669	495 476	55 928
Attributable to non-controlling interests, of which:		7 747	3 917	3 838	2 014
from continuing operations		7 747	3 917	3 838	2 014
from discontinued operations		-	-	-	-
Basic and diluted earnings (loss) per share attributable to the shareholders of the Parent (in PLN), of which:					
		28.25	4.33	25.60	3.47
from continuing operations		7.86	2.39	6.20	1.28
from discontinued operations		20.39	1.94	19.40	2.19

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Consolidated statement of comprehensive income

	6-month period ended 30 June		3-month period ended 30 June	
	2021	2020	2021	2020
	audited	restated not audited	not audited	restated
Net profit for the period	728 952	114 491	657 528	90 529
Other comprehensive income which:				
<i>Items to be reclassified to profit or loss upon satisfaction of certain conditions:</i>				
Cumulative translation differences	(3 033)	375	(2 070)	(1 312)
Income tax related to components of other comprehensive income	-	-	-	-
<i>Items not to be subsequently reclassified to profit or loss:</i>				
Actuarial gains/(losses)	-	-	-	-
Income tax related to components of other comprehensive income	-	-	-	-
Other comprehensive income	(3 033)	375	(2 070)	(1 312)
Total comprehensive income for the period, of which	725 919	114 866	655 458	89 217
Total comprehensive incomes from continuing operations for the period	205 411	65 197	159 982	33 289
Total comprehensive incomes from discontinued operations for the period	520 508	49 669	495 476	55 928
<i>Of which:</i>				
Attributable to the shareholders of the Parent, of which	718 172	110 949	651 620	87 203
<i>from continuing operations</i>	197 664	61 280	156 144	31 275
<i>from discontinued operations</i>	520 508	49 669	495 476	55 928
Attributable to non-controlling interests, of which	7 747	3 917	3 838	2 014
<i>from continuing operations</i>	7 747	3 917	3 838	2 014
<i>from discontinued operations</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 2021 <i>audited</i>	145 848	87 163	7 171	(7 310)	6 473	910 006	1 149 351	37 920	1 187 271
Profit for the period	-	-	-	-	-	721 205	721 205	7 747	728 952
Other comprehensive income	-	-	-	-	(3 033)	-	(3 033)	-	(3 033)
Total comprehensive income	-	-	-	-	(3 033)	721 205	718 172	7 747	725 919
Profit distribution - dividend	-	-	-	-	-	(426 352)	(426 352)	-	(426 352)
Payment of dividend to non-controlling shareholders	-	-	-	-	-	-	-	(11 004)	(11 004)
Balance as at 30 June 2021 <i>audited</i>	145 848	87 163	7 171	(7 310)	3 440	1 204 859	1 441 171	34 663	1 475 834

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Consolidated statement of changes in equity (cont.)

	Equity attributable to the shareholders of the Parent Company						Total	Non-controlling interests	Total equity
	Issued capital	Share premium	Other reserves		Cumulative translation differences	Retained earnings			
			Share-based payments	Actuarial gains/(losses)					
Balance as at 1 January 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
Profit for the period	-	-	-	-	-	348 891	348 891	8 012	356 903
Other comprehensive income	-	-	-	(1 319)	(902)	-	(2 221)	-	(2 221)
Total comprehensive income	-	-	-	(1 319)	(902)	348 891	346 670	8 012	354 682
Balance as at 31 December 2020 <i>audited</i>	145 848	87 163	7 171	(7 310)	6 473	910 006	1 149 351	37 920	1 187 271

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Consolidated statement of cash flows

	6-month period ended 30 June	
	2021 <i>audited</i>	2020 <i>not audited</i>
CASH FLOW FROM OPERATING ACTIVITIES		
Gross profit	895 899	152 588
<i>from continuing operations</i>	259 598	91 153
<i>from discontinued operations</i>	636 301	61 435
Adjustments for:		
Depreciation/ amortization	73 034	64 882
Share in net (profits) of equity accounted companies	(67)	(42)
Foreign exchange losses	34	528
Interest and shares in profits (dividends)	3 353	4 160
(Profit) on investing activities	(601 460)	(1 447)
Change in valuation of derivative financial instruments	(3 210)	971
Change in provisions and liabilities arising from retirement benefits and similar obligations	21 136	51 304
Other adjustments	(3 014)	182
Operating profit before changes in working capital	385 705	273 126
Change in receivables and retentions for construction contracts	(208 491)	245 412
Change in inventories	(102 733)	5 866
Change in retentions for construction contracts and in liabilities, except for loans and borrowings	371 122	67 122
Change in deferred income	(41 275)	299 472
Change in valuation of construction contracts and in provision for losses	(43 233)	(156 571)
Change in cash and cash equivalents of restricted use	279 773	(140 197)
Cash flow from operating activities	640 868	594 230
Income tax paid	(107 582)	(119 169)
NET CASH FROM/ (USED IN) OPERATING ACTIVITIES	533 286	475 061

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Consolidated statement of cash flows (continued)

	6-month period ended 30 June	
	2021	2020
	<i>audited</i>	<i>not audited</i>
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of intangible assets and property, plant and equipment	950	3 008
Proceeds from sale of investment property	-	30 000
Purchase of intangible assets and property, plant and equipment	(36 581)	(27 165)
Sale of a subsidiary	918 434	-
Purchase of shares in non-consolidated entities	(3 340)	(180)
Purchase of bonds issued by banks	-	(269 079)
Proceeds from bonds issued by banks	-	253 980
Interest received	-	1 020
NET CASH FROM/ (USED IN) INVESTING ACTIVITIES	879 463	(8 416)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of loans and borrowings	(7 233)	(29 530)
Loans and borrowings received	-	5 237
Payment of dividend by Budimex SA	(426 352)	-
Dividends paid to non-controlling shareholders	(10 024)	(2 500)
Payment of lease liabilities	(105 959)	(36 563)
Interest paid	(4 527)	(6 453)
Other finance expenditure	(416)	(283)
NET CASH USED IN FINANCING ACTIVITIES	(554 511)	(70 092)
TOTAL NET CASH FLOW		
	858 238	396 553
Foreign exchange differences on cash and cash equivalents, net	(695)	1 120
CASH AND CASH EQUIVALENTS - OPENING BALANCE (note 3.2)	2 081 498	1 340 215
CASH AND CASH EQUIVALENTS - CLOSING BALANCE (note 3.2)	2 939 041	1 737 888

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

1.1. The Parent Company

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

The main areas of the business activities of the Group are widely understood construction-assembly services realized in the system of general execution at home and abroad, services and production. Budimex SA serves in the Group as an advisory, management and financial 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 2021, 31 December 2020 and 30 June 2020 the following entities were subject to consolidation:

Company name	Registered office	% in the share capital as at		
		30 June 2021	31 December 2020	30 June 2020
Parent company:				
Budimex SA	Warsaw / Poland			
Subsidiaries:				
Mostostal Kraków SA	Kraków / Polska	100.00%	100.00%	100.00%
Mostostal Kraków Energetyka Sp. z o.o.	Kraków / Polska	100.00%	100.00%	100.00%
Budimex Bau GmbH	Kolonia/ Niemcy	100.00%	100.00%	100.00%
Budimex Budownictwo Sp. z o.o.	Warszawa / Polska	100.00%	100.00%	100.00%
Budimex Kolejnictwo SA	Warszawa / Polska	100.00%	100.00%	100.00%
FBSerwis SA	Warszawa / Polska	100.00%	100.00%	100.00%
FBSerwis A Sp. z o.o.	Warszawa / Polska	100.00%	100.00%	100.00%
FBSerwis B Sp. z o.o.	Warszawa / Polska	100.00%	100.00%	100.00%
FBSerwis Karpatia Sp. z o.o.	Tarnów / Polska	100.00%	100.00%	100.00%
FBSerwis Wrocław Sp. z o.o.	Bielany Wrocławskie / Polska	100.00%	100.00%	100.00%
FBSerwis Dolny Śląsk Sp. z o.o.	Ścinawka Dolna / Polska	100.00%	100.00%	100.00%
FBSerwis Odbiór Sp. z o.o. ¹	Warszawa / Polska	100.00%	100.00%	-
FBSerwis Kamieński Sp. z o.o.	Kamieński / Polska	80.00%	80.00%	80.00%
Budimex Parking Wrocław Sp. z o.o.	Warszawa / Polska	51.00%	51.00%	51.00%
Budimex Nieruchomości Sp. z o.o. ²	Warszawa / Polska	-	100.00%	100.00%

¹) As at 30 June 2020 the company was not subject to consolidation.

²) The company was sold on 24 May 2021. Details in note 1.3.

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As at 30 June 2021, 31 December 2020 and 30 June 2020 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 2021	31 December 2020	30 June 2020
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%

As at 30 June 2021, 31 December 2020 and 30 June 2020 equity accounted companies included:

Associate	share		
	30 June 2021	31 December 2020	30 June 2020
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 13 May 2021 a new company, JZE Sp. z o.o., was registered. It was not consolidated as at 30 June 2021 due to lack of significant operating activities.

In the 6-month period ended 30 June 2021 there were no other changes in the Group structure, except the one described below.

1.3.1 Discontinued operations

On 22 February 2021, Budimex SA concluded a conditional agreement for the sale of all shares in the subsidiary Budimex Nieruchomości sp.z o.o., with the buyer, CP Developer S.a.r.l. The subject of the sale are 1 314 666 shares with a nominal value of PLN 500 each, representing 100% of the share capital of Budimex Nieruchomości Sp. z o.o., entitling to 100% of votes at the company's Shareholders' Meeting. From the point of view of the consolidated financial statements of the Budimex Group, this meant the sale of the entire segment "property management and developer business". Thus, this segment was excluded from Note 8, presenting the Group's operating segments.

From the date of concluding the conditional sale agreement, the Group began presenting the entire segment "property management and developer business" as a discontinued operation (disposal group) in the consolidated financial statements in accordance with the principles of IFRS 5, as it considered that this was the moment when all conditions for such classification were met. Due to the changes described above, in accordance with IFRS 5, the comparative data in the profit and loss account and other comprehensive income were restated, as well as the data in the operating segments.

As at the date of reclassification to discontinued operations, the Group valued the net assets of Budimex Nieruchomości Sp. z o.o. (the only company in the segment) at the lower of the carrying amount or the fair value less costs to sell. As the expected sale price was significantly higher than the carrying amount of the net assets and the costs to sell were negligible given the overall value of the transaction, the carrying amount was lower. Thus, the Group did not recognize any impairment losses on the net assets of Budimex Nieruchomości Sp. z o.o.

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The data of Budimex Nieruchomości Sp. z o.o. (including consolidation adjustments assigned to the segment) for the period of 1 January – 24 May 2021 and the restated 6-month period of 2020:

	1 January – 24 May 2021	1 January – 30 June 2020 <i>restated*</i>
Net sales of finished goods, goods for resale, raw materials and services	255 342**	274 271***
Cost of finished goods, goods for resale, raw materials and services sold	(197 178)**	(199 846)**
Gross profit on sales	58 164	74 425
Selling expenses	(6 881)	(8 469)
Administrative expenses	(10 011)	(12 812)
Other operating income	9	3 778
Operating profit	41 281	56 922
Finance income/ (costs)	(406)	4 513
Gross profit	40 875	61 435
Income tax	(7 818)	(11 766)
Profit after tax on development activities (discontinued)	33 057	49 669
Profit on sale of the subsidiary after tax (note 1.3.2.)	487 451	-
Net income from discontinued operations	520 508	49 669

* data also includes SPV-PIM1 Sp. z o.o., merged with Budimex Nieruchomości Sp. z o.o. on 26 May 2020

** net sales and cost of sales include intercompany eliminations in the amount of PLN 11 thousand

*** net sales and cost of sales include intercompany eliminations in the amount of PLN 421 thousand

Cash flows from discontinued operations	1 January – 24 May 2021	1 January – 30 June 2020 <i>restated*</i>
Net cash from operating activities	86 863	260 038
Net cash from investing activities, of which:	918 065	29 305
<i>Net cash from investing activities generated by Budimex Nieruchomości Sp. z o.o.</i>	(369)	29 305
<i>Net cash from the sale of a subsidiary (Note 1.3.2.)</i>	918 434	-
Net cash (used in) financing activities	(189 355)	(23 972)
Total cash flows from discontinued operations	815 573	265 371
Cash of discontinued operations, recognised in the statement of cash flow, opening balance	506 199	201 496
Cash of discontinued operations, recognised in the statement of cash flow, closing balance	-	466 867

*data also includes SPV-PIM1 Sp. z o.o., merged with Budimex Nieruchomości Sp. z o.o. on 26 May 2020

Property management and developer business	1 January – 24 May 2021	1 January – 30 June 2020 <i>restated*</i>
Sales of other services	1 860	885
Sales of finished goods	253 482	273 386
Total sales of finished goods, goods for resale and raw materials	255 342	274 271

*data also includes SPV-PIM1 Sp. z o.o., merged with Budimex Nieruchomości Sp. z o.o. on 26 May 2020

Revenue was earned in Poland only.

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1.3.2. Sale of shares in Budimex Nieruchomości Sp. z o.o.

On 24 May 2021 Budimex SA concluded with Cp Developer S.a.r.l. a disposing agreement transferring the ownership of 1 314 666 shares in Budimex Nieruchomości Sp. z o.o. with a total nominal value of PLN 657 333 thousand, representing 100.00% of the share capital and entitling to 100.00% of votes at the company's shareholders' meeting. The price for the shares sold amounted to PLN 1 307 889 thousand and included also conditional components of remuneration.

Analysis of assets and liabilities, over which control was lost

	24 May 2021
Assets	
Property, plant and equipment, intangible assets and investment property	20 100
Deferred tax assets	11 691
Inventories	1 734 911
Trade and other receivables	11 565
Cash and cash equivalents	403 338
Liabilities	
Loans, borrowings and other external sources of finance	(140 616)
Retentions for construction contracts - received	(76 824)
Provision for liabilities and other charges and retirement benefits and similar obligations	(44 369)
Trade and other payables	(81 732)
Deferred income	(1 137 767)
Current tax liability	(9 913)
Net assets sold	690 384

Profit on sale of a subsidiary

	2021
Price of sold shares	1 307 889
Net assets	(690 384)
Costs to sell	(22 079)
Profit on sale of the subsidiary before tax	595 426
Income tax on transaction	(107 975)
Profit on sale of the subsidiary after tax	487 451

Net cash from disposal

	2021
Payment received in cash and cash equivalents	1 321 772
Balance of cash and cash equivalents in Budimex Nieruchomości Sp. z o.o. as at the date of sale	(403 338)
Net cash from disposal	918 434

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2. Shareholders of the Parent Company

According to the information held by Budimex SA, the shareholding structure of Budimex SA as at the report date was as follows:

Shareholder	Type of shares	Number of shares	% of the share capital	Number of votes	% of voting rights at the AGM
Ferrovial Construction International SE	ordinary	12 801 654	50.14%	12 801 654	50.14%
Nationale-Nederlanden OFE	ordinary	2 353 000	9.22%	2 353 000	9.22%
Aviva OFE Aviva Santander	ordinary	2 170 000	8.50%	2 170 000	8.50%
Other shareholders	ordinary	8 205 444	32.14%	8 205 444	32.14%
Total		25 530 098	100.00%	25 530 098	100.00%

The above data presents the shareholding structure as at the last General Meeting of Shareholders of 20 May 2021.

According to the information held by Budimex SA, the shareholding structure of Budimex SA as at 31 December 2020 was as follows:

Shareholder	Type of shares	Number of shares	% of the share capital	Number of votes	% of voting rights at the AGM
Ferrovial Construction International SE	ordinary	12 801 654	50.14%	12 801 654	50.14%
Aviva OFE Aviva Santander	ordinary	2 552 000	10.00%	2 552 000	10.00%
Nationale-Nederlanden OFE	ordinary	1 618 000	6.34%	1 618 000	6.34%
Other shareholders	ordinary	8 558 444	33.52%	8 558 444	33.52%
Total		25 530 098	100.00%	25 530 098	100.00%

3. Principles applied for the purpose of preparation of condensed financial statement

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 2020, published on 25 March 2021.

The interim condensed consolidated financial statements of the Budimex Group cover the period of six months ended on 30 June 2021 and contain comparative data for the period of six months ended on 30 June 2020 and as at 31 December 2020. 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 2021 and comparative data for the period of 3 months ended on 30 June 2020, 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.

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Amendments to standards effective in the current period

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

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – IBOR reform - Phase 2,
- Amendments to IFRS 4 „Insurance contracts” – Deferral of effective date of IFRS 9.

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

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

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

- Amendments to IFRS 3 „Business combinations”, IAS 16 „Property, plant and equipment” and IAS 37 „Provisions, Contingent Liabilities and Contingent Assets (Cycle 2018- 2020)” (effective for annual periods beginning on or after 1 January 2022),

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

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

- IFRS 14 „Regulatory Deferral Accounts” – according to the decision of the European Union, standard endorsement process in its draft form will not be initiated before publication of standard's final version (effective for annual periods beginning on or after 1 January 2016),
- IFRS 17 „Insurance contracts”; including Amendments to IFRS 17 (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” – work leading to the endorsement of these changes was postponed indefinitely – the date of amendments becoming effective was indefinitely deferred by the IASB,
- Amendments to IAS 1 „Presentation of Financial Statements” – “Classification of Liabilities as Current or Non-current — Deferral of Effective Date” (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 1 „Presentation of financial statements” and Handbook of IFRS 2: Disclosure of accounting rules and principles (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 8 „Accounting Policies, Changes in Accounting Estimates and Errors” (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IFRS 16 „Leases”: Covid-19-related rent concessions beyond 30 June 2021 (effective for annual periods beginning on or after 1 April 2021),
- Amendments to IAS 12 “Income tax”: Deferred tax related to assets and liabilities arising from a single transaction (effective for annual periods beginning on or after 1 January 2023).

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.

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	30 June 2021	31 December 2020	30 June 2020
Cash recognised in the statement of financial position	2 962 168	2 384 398	2 053 847
Cash and cash equivalents of restricted use	(23 127)	(302 900)	(315 959)
Cash recognised in the statement of cash flow	2 939 041	2 081 498	1 737 888

The change in restricted cash and cash equivalents resulted from sale of Budimex Nieruchomości Sp. z o.o.

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 2021 construction-assembly production in Poland expressed in current prices did not change compared to the corresponding period of the prior year (increased 2.8% in fixed prices), while sales of the construction segment of the Budimex Group on the home market decreased 9.1% on the corresponding period.

Net sales and profitability

	6 months ended			3 months ended		
	30 June 2021	30 June 2020 restated	Change in %	30 June 2021	30 June 2020 restated	Change in %
Net sales of finished goods and services	3 241 092	3 460 165	(6.33%)	1 996 306	1 990 177	0.31%
Gross profit on sales	375 645	253 126	48.40%	278 930	143 119	94.89%
Gross profitability on sales	11.59%	7.32%	4.27 p.p.	13.97%	7.19%	6.78 p.p.
Operating profit	276 390	99 687	177.26%	213 575	58 851	262.91%
Operating profitability	8.53%	2.88%	5.65 p.p.	10.70%	2.96%	7.74 p.p.
Gross profit on sales in construction segment	161 172	84 049	91.76%	112 359	50 978	120.41%
Gross profitability on sales in construction segment	5.32%	2.49%	2.83 p.p.	6.08%	2.61%	3.47 p.p.
Gross profit on sales in service segment	55 217	29 375	87.97%	32 963	10 535	212.89%
Gross profitability on sales in service segment	15.33%	10.59%	4.74 p.p.	17.10%	7.23%	9.87 p.p.
Gross profit	259 598	91 153	184.79%	204 860	55 261	270.71%
Gross profitability	8.01%	2.63%	5.38 p.p.	10.26%	2.78%	7.48 p.p.
Net profit	728 952	114 491	536.69%	657 528	90 529	626.32%
Net profitability	22.49%	3.31%	19.18 p.p.	32.94%	4.55%	28.39 p.p.

Selling expenses and administrative expenses

	6 months ended			3 months ended		Change in %
	30 June 2021	30 June 2020 restated	Change in %	30 June 2021	30 June 2020 restated	
Selling expenses	(5 086)	(5 318)	(4,36%)	(2 358)	(2 633)	(10.44%)
Administrative expenses	(120 010)	(110 561)	8,55%	(59 862)	(55 680)	7.51%
Total selling & administrative expenses	(125 096)	(115 879)	7,95%	(62 220)	(58 313)	6.70%
Share of selling & administrative expenses in net sales of finished goods and services	3.86%	3.35%	0.51 p.p.	3.12%	2.93%	0.19 p.p.

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5. Other operating income and expenses

Other operating income

	6 months ended		3 months ended	
	30 June 2021	30 June 2020 <i>restated</i>	30 June 2021	30 June 2020 <i>restated</i>
Reversal of impairment write-downs against receivables	9 995	1 738	212	136
Reversal of provisions for compensations and liquidated damages	2 208	26 008	(10 806)	18 390
Penalties/ compensations awarded	20 795	16 744	11 286	7 500
Statute-barred liabilities written-off	468	425	171	(44)
Gains on derivative financial instruments	2 097	649	1 899	(439)
Subsidies received	1 259	-	6	-
Gains on the sale of non-financial non-current assets	5 634	1 735	5 302	1 012
Reversal of other provisions	-	2 000	-	-
Other	1 451	1 688	655	1 310
Total	43 907	50 987	8 725	27 865

Other operating expenses

	6 months ended		3 months ended	
	30 June 2021	30 June 2020 <i>restated</i>	30 June 2021	30 June 2020 <i>restated</i>
Impairment write-downs against receivables	(3 343)	(24 912)	(2 443)	(7 615)
Compensations and liquidated damages paid	(11 096)	(17 841)	(9 738)	(15 393)
Loss on derivative financial instruments	(74)	(227)	885	(227)
Court charges and executions, costs of legal proceedings	(1 527)	(534)	(858)	(375)
Creation of provisions for compensations and liquidated damages	-	(41 092)	1 668	(27 706)
Donations given	(1 183)	(2 884)	(732)	(2 213)
Other	(843)	(1 057)	(642)	(291)
Total	(18 066)	(88 547)	(11 860)	(53 820)

6. Finance income and costs

Finance income

	6 months ended		3 months ended	
	30 June 2021	30 June 2020 <i>restated</i>	30 June 2021	30 June 2020 <i>restated</i>
Interest earned	1 567	8 052	677	2 880
Valuation of receivables from service concession arrangement	1 440	1 434	720	715
Gains on derivative financial instruments	1 113	-	327	-
Foreign exchange gains	655	1 337	381	(147)
Write-off of liabilities resulting from purchase of FBSerwis Karpatia and FBSerwis Wrocław	-	5 026	-	5 026
Other	496	23	231	13
Total	5 271	15 872	2 336	8 487

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Finance costs

	6 months ended		3 months ended	
	30 June 2021	30 June 2020 <i>restated</i>	30 June 2021	30 June 2020 <i>restated</i>
Interest expense	(5 017)	(5 103)	(2 832)	(2 191)
Discount of retentions for construction contracts	(2 265)	(3 917)	(1 177)	(2 821)
Cost of bank commissions and guarantees	(14 225)	(13 353)	(6 792)	(6 520)
Loss on derivative financial instruments	(416)	(1 903)	(209)	(406)
Other	(207)	(172)	(62)	(161)
Total	(22 130)	(24 448)	(11 072)	(12 099)

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 2021, 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 2021

Provisions for liabilities and other charges

	30 June 2021	31 December 2020
Provisions for litigation proceedings	31 952	33 129
Provisions for compensations and liquidated damages	90 239	125 770
Provisions for warranty repairs	602 099	591 478
Provisions for land reclamation	47 344	47 200
Other provisions	40 422	22 932
Total	812 056	820 509
<i>of which:</i>		
- long-term	579 090	593 398
- short-term	232 966	227 111

Income tax in the income statement

	30 June 2021	30 June 2020 <i>restated</i>
Income tax – current	(66 422)	(84 271)
Income tax – deferred	15 268	57 940
Income tax in the income statement	(51 154)	(26 331)

Other information

	6 months ended	
	30 June 2021	30 June 2020
Reversal of impairment write-downs against inventories	(247)	-
Value of property, plant and equipment and intangible assets purchased or started to be leased:	55 834	76 681
- of which: plant and machinery	14 104	39 401

As at 30 June 2021 contractual obligations made by the Group for the purchase of property, plant and equipment amounted to PLN 31 191 thousand. Contractual obligations made by the Group for the purchase of equipment,

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purchase of plots of land for development purposes and for a cash contribution to the share capital of a newly established company as at 31 December 2020 amounted to PLN 92 108 thousand.

As at 30 June 2021 there was an increase in the balance of retentions for construction contracts, mainly as a result of invoicing works with deferred payment terms.

The decrease in the balance of long-term and short-term lease liabilities was caused by the repurchase of a significant part of fixed assets by Budimex Kolejnictwo S.A. In turn, the increase in short-term trade and other liabilities compared to 31 December 2020 was mainly due to the seasonality of construction works and related settlements with subcontractors

Due to sale of shares in Budimex Nieruchomości sp.z o.o. the balances of inventories, loans, borrowings and other external sources of financing, as well as deferred income decreased significantly.

Apart from that, there were no other 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,
- service activities.

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

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

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

- Budimex Parking Wrocław Sp. z o.o.
- FBSerwis SA
- FBSerwis A Sp. z o.o.
- FBSerwis B Sp. z o.o.
- FBSerwis Dolny Śląsk Sp. z o.o.
- FBSerwis Wrocław Sp. z o.o.
- FBSerwis Karpatia Sp. z o.o.
- FBSerwis Kamieńsk Sp. z o.o.
- FBSerwis Odbiór Sp. z o.o. (consolidated using the full method as of 1 October 2020).

The segment "property management and developer business" was included in the discontinued operations. Details are described in note 1.3.1.

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 2021 are presented in the table below:

Segment name	Construction business	Property management and developer business	Service activities	Consolidation adjustments	Consolidated value
External sales	2 882 739	-	358 353	-	3 241 092
Inter-segment sales	146 081	-	1 885	(147 966)	-
Total sales of finished goods, goods for resale and raw materials	3 028 820	-	360 238	(147 966)	3 241 092
Gross profit on sales	242 058	-	80 636	52 951	375 645
Selling expenses	(5 086)	-	-	-	(5 086)
Administrative expenses	(107 345)	-	(19 715)	7 050	(120 010)
Other operating income/(expenses), net	31 545	-	(5 704)	-	25 841
Operating profit	161 172	-	55 217	60 001	276 390
Finance income/(costs), net	(16 941)	-	(35)	117	(16 859)
Shares in profits of equity accounted subordinates	-	-	67	-	67
Income tax expense	(27 752)	-	(11 980)	(11 422)	(51 154)
Net profit from continued operations	116 479	-	43 269	48 696	208 444
Net profit from discontinued operations	-	520 508	-	-	520 508
Net profit for the period	116 479	520 508	43 269	48 696	728 952

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 (restated)	Service activities	Consolidation adjustments (restated)	Consolidated value (restated)
External sales	3 184 954	-	275 211	-	3 460 165
Inter-segment sales	196 316	-	2 133	(198 449)	-
Total sales of finished goods, goods for resale and raw materials	3 381 270	-	277 344	(198 449)	3 460 165
Gross profit on sales	230 809	-	43 312	(20 995)	253 126
Selling expenses	(5 318)	-	-	-	(5 318)
Administrative expenses	(101 808)	-	(16 011)	7 258	(110 561)
Other operating income/ (expenses), net	(39 634)	-	2 074	-	(37 560)
Operating profit	84 049	-	29 375	(13 737)	99 687
Finance income/ (costs), net	(10 713)	-	1 939	198	(8 576)
Shares in profits of equity accounted subordinates	-	-	42	-	42
Income tax expense	(23 208)	-	(5 695)	2 572	(26 331)
Net profit for the period from continuing operations	50 128	-	25 661	(10 967)	64 822
Net profit from discontinued operations	-	49 669	-	-	49 669
Net profit for the period	50 128	49 669	25 661	(10 967)	114 491

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

9.1. Sales revenue, by type of good or service

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

Segment name	Construction business	Service activities	Consolidation adjustments	Consolidated financial data
Sales of construction and assembly services	2 993 186	-	(139 541)	2 853 645
Sales of other services	9 109	360 238	(8 425)	360 922
Sales of finished goods	24 649	-	-	24 649
Sales of goods for resale and raw materials	1 876	-	-	1 876
Total sales of finished goods, goods for resale and raw materials	3 028 820	360 238	(147 966)	3 241 092

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	Service activities	Consolidation adjustments (restated)	Consolidated financial data (restated)
Sales of construction and assembly services	3 345 179	-	(188 822)	3 156 357
Sales of other services	3 183	277 344	(9 627)	270 900
Sales of finished goods	24 990	-	-	24 990
Sales of goods for resale and raw materials	7 918	-	-	7 918
Total sales of finished goods, goods for resale and raw materials	3 381 270	277 344	(198 449)	3 460 165

9.2. Sales revenue, by geographical area

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

Segment name	Construction business	Service activities	Consolidation adjustments	Consolidated financial data
Poland	2 881 647	360 068	(147 966)	3 093 749
Germany	114 447	39	-	114 486
Other EU countries	32 726	131	-	32 857
Total sales of finished goods, goods for resale and raw materials	3 028 820	360 238	(147 966)	3 241 092

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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	Service activities	Consolidation adjustments (restated)	Consolidated financial data (restated)
Poland	3 168 790	277 209	(198 449)	3 247 550
Germany	121 662	135	-	121 797
Other EU countries	86 866	-	-	86 866
Other countries	3 952	-	-	3 952
Total sales of finished goods, goods for resale and raw materials	3 381 270	277 344	(198 449)	3 460 165

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 2021 and the first half of 2020 were as follows:

Type of construction	Sales revenue for a 6-month period ended:	
	30 June 2021	30 June 2020
Land-engineering	1 092 257	1 441 130
Railway	730 298	675 932
General construction, of which:	1 206 265	1 264 208
- non-housing	966 398	959 281
- housing	239 867	304 927
Net sales of finished goods, goods for resale and raw materials – Construction business segment	3 028 820	3 381 270

10. Related party transactions

Transactions with related parties made in the first half of 2021 and in the first half of 2020 and unsettled balances of receivables and liabilities as at 30 June 2021 and 31 December 2020 are presented in the tables below:

	Receivables		Liabilities	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
Parent and its related parties (the Ferrovial Group)	665	1 864	22 675	25 734
Jointly controlled entities	22 801	2 657	1 166	777
Associates	98	105	23	28
Other related entities – non-consolidated subsidiaries**	-	62	-	-
Other related entities – other**	9	11 005	-	-
Other related entities – through key personnel**	-	2	-	1 164
Total settlements with related parties	23 573	15 695	23 864	27 703

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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	
	2021	2020	2021	2020
Parent and its related parties (the Ferrovial Group)	15	-	(13 765)	(13 970)
Jointly controlled entities	17 866	4 012	43	(28)
Associates	11	11	(638)	(658)
Other related entities - non-consolidated subsidiaries**	-	-	-	-
Other related entities - through key personnel**	262	367	-	(221)
Other related entities - others**	-	-	(44)	-
Total transactions with related parties	18 154	4 390	(14 404)	(14 877)

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

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

As at 30 June 2021 and 31 December 2020, 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 most important factors that may have an impact on the Group's financial position in the perspective of at least the next half-year include:

- further development of the coronavirus pandemic and changes in the level of economic activity,
- the level of prices of construction materials (especially steel) and services affecting the level of direct costs of contracts,
- availability of staff,
- risks related to logistics and transport of construction materials,
- volatility of exchange rates, which affect the level of sales revenues and operating costs as well as the result from the valuation and settlement of foreign currency forward transactions,
- high demand for the services of subcontractors, affecting the quality and timeliness of the work performed,
- the level of competition in public tenders,
- intensification of activities aimed at recovering overdue receivables covered by write-downs and strengthening operational and financial control over the performed contracts,
- results of pending court cases, which are described in more detail in Note 16 to these consolidated financial statements,
- changes in tax regulations affecting the construction industry.

12. Description of significant achievements or failures of the Budimex Group in the I half-year of 2021, key events concerning the Group's operations and significant events after 30 June 2021

Due to the signing of the agreement for the sale of Budimex Nieruchomości on 24 May 2021, from the beginning of the year, the developer segment is presented as discontinued operations (both in the financial statements for the 1st half of 2021 and in the comparable data for the 1st half of 2020) in accordance with IFRS 5. Continued operations of the Group cover the construction and service segments.

In the first half of 2021, the operating profitability of the Budimex Group from continued operations was noticeably higher than in the corresponding period of the previous year.

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In the construction segment, profitability improved mainly due to the good profitability of railway contracts, as well as better result on other operating activity. Less favorable weather conditions during the winter season made carrying out construction works more difficult and resulted in a decline in sales revenue compared to the same period last year. Additionally, in the road segment, several significant contracts are currently in the design stage, which translates into relatively low sales revenue.

In the first half of 2021 the service segment, whose financial performance is driven by FBSerwis Group, continued its dynamic development, increasing sales revenue by 30% compared to the same period last year. Furthermore, increase in sales resulted in enhanced operating profit and gross profit, supported by strong financial results of the municipal waste management segment.

The financial result on discontinued operations in the first half of 2021 consists of the net result of the developer segment for the period before the disposal of Budimex Nieruchomości Sp. z o.o., as well as the net result on the settlement of the disposal transaction.

The order portfolio of the Budimex Group is profitable and ensures high workload for the following quarters. The structure of the portfolio has not changed significantly over the last year - the portfolio is mainly based on infrastructure and railway contracts, which account for ca. 2/3 of its value.

The order portfolio of the Budimex Group as at 30 June 2021 amounted to PLN 12 973 018 thousand. The value of contracts signed between January and June 2021 was PLN 2 922 741 thousand. Additionally, the value of the contracts with the lowest bids or tenders where Group's offer is rated the highest by the Investors is over 3 billion PLN.

At the end of the first half of 2021, the Group's cash position was further improved compared to the end of 2020. The key driver of the improved cash position was the income from the disposal of Budimex Nieruchomości Sp. z o.o. The Management Board of Budimex SA, taking into account the solid cash position, decided on advance payment of dividend for 2021. In order to maintain the robust condition and financial liquidity of subcontractors and suppliers collaborating with the Group, advance payments are still offered for the services and materials.

The ongoing state of epidemic in Poland did not have a significant impact on the Company's financial parameters for the first half of 2021. Budimex SA was among the employers who decided to participate in the vaccination programme of employees.

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

On 5 July 2021, Budimex SA, as the only shareholder, established a company, Budimex Slovakia s.r.o., based in Bratislava, Slovakia. The share capital in the amount of EUR 5 thousand was also paid up in July 2021. The company has not been registered by the appropriate registry court by the date of the report.

On 20 July 2021, FBSerwis SA, in which Budimex SA holds 100% of shares, established a company, FBSerwis Paliwa Alternacyjne Sp. z o.o., with a share capital of PLN 5 thousand. The company has not been registered by the National Court Register by the date of the report.

In the period from 30 June 2021 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 2021 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.

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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 2021

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 2020.

16. Proceedings pending as at 30 June 2021 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 2021 was PLN 712 110 thousand. Excess of the value of proceedings against Group companies over proceedings relating to claims of Group companies amounted to PLN 29 582 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 2021 was PLN 370 846 thousand. These proceedings involve the Group companies' operating activity.

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

In the opinion of the Management Board of Budimex SA the claims in the lawsuit are groundless. The irregularities, which in the Claimant's opinion constitute actual grounds of the claims, provided that these do exist, do not result from actions or omissions of the consortium. Moreover, proper performance of the building by the consortium was confirmed by the Claimant issuing the Work Acceptance Certificate and Implementation Certificate for the Silesian Museum building in Katowice. The Management Board assesses that the provisions for warranty repairs recognised beforehand fully cover the risks related to contract implementation. Budimex SA filed its response to the claim on 31 October 2017 and supplemented it in January 2018. The court successfully delivered a copy of the claim to Ferrovial Agroman SA on 21 September 2018. Ferrovial Agroman SA filed a reply to the statement of claim on 22 October 2018. The first hearing took place on 11 March 2019, during which the court obliged the parties to pay an advance towards the remuneration of the research institute which will prepare an opinion on the case. As at the date of the report, the date of the next hearing is not known.

Another significant case concerns a request for arbitration submitted by Steinmüller Babcock Environment GmbH ("Steinmüller") to the Secretariat of the International Court of Arbitration at the International Chamber of Commerce in Paris on 20 December 2019. The application is based on the allegations of breach by Budimex SA of the consortium agreement concluded between Budimex SA and Steinmüller in connection with the joint performance of construction works regarding the public procurement under the name "Construction of a new heat and power plant in Vilnius - Lot 1" for JSC "Vilniaus kogeneracine jėgaine" with its seat in Vilnius (Lithuania) and includes a request that the adjudicating panel 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.

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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 adjudicating panel 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 filed a Statement of Claim on 18 December 2020. At the joint request of the parties, on 19 February 2021 the adjudicating panel agreed to modify the procedure schedule by postponing the dates of the various activities by approximately 6 months. As a result of this modification, Budimex SA should file a Statement of Defence and Counterclaim by 29 October 2021. The next stages of arbitration will take place in 2022 and the hearing will take in March 2023. The verdict is expected by the end of 2023.

Another legal proceedings with a material value relate to the claim filed on 5 March 2008 by Miejskie Wodociągi I Kanalizacja w Bydgoszczy Sp. z o.o. requesting that the amount of PLN 25 252 thousand be awarded jointly and severally against the consortium to which the Budimex SA and Budimex Dromex SA belonged. The claim relates to the replacement of contractor costs incurred by the investor when the consortium rescinded the contract. The Budimex Group's share in consortium was 90%, therefore the value of the claim for which Budimex SA is liable is PLN 22 727 thousand. On 12 July 2017, the court of the first instance awarded against Budimex SA 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. An appeal against the judgment was filed both by the claimant (against the entire judgment) and the defendant (against a part of the judgement – i.e. 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 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 341 264 thousand as at 30 June 2021. 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.

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17. Contingent assets and contingent liabilities

	30 June 2021	31 December 2020
<u>Contingent assets</u>		
From other entities		
– guarantees and sureties received	674 876	615 095
– bills of exchange received as security	6 876	11 237
From other entities, total	681 752	626 332
Total contingent assets	681 752	626 332
<u>Contingent liabilities</u>		
To other entities, of which:		
– guarantees and sureties issued	4 189 371	4 333 352
– promissory notes issued as performance bond	11 658	12 797
To other entities, total	4 201 029	4 346 149
Other contingent liabilities	181	181
Total contingent liabilities	4 201 210	4 346 330
Total contingent items	(3 519 458)	(3 719 998)

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

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

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

Guarantees and sureties issued by Budimex SA as at 30 June 2021:

Name of the company which issued a guarantee or surety	Name of the (company) entity which received a surety or a guarantee	Total value of guarantees or sureties issued	Period of guarantees or sureties issuance	Financial conditions in respect of guarantees and sureties issued	Type of relations between Budimex SA and the entity which took out a guarantee or surety
Budimex SA	Mostostal Kraków SA	101 447	2027-12-31	against payment	subsidiary
Budimex SA	Mostostal Kraków Energetyka Sp. z o.o.	141	2023-11-21	against payment	subsidiary
Budimex SA	Budimex Budownictwo Sp. z o.o.	230 754*	2029-10-15	free of charge	subsidiary
Budimex SA	Budimex Kolejnictwo SA	14 620	2027-12-31	against payment	subsidiary
Budimex SA	FBSerwis SA	24 916	2030-07-12	against payment	subsidiary
TOTAL		371 878			

*sureties were issued for contracts carried out by Budimex SA

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Guarantees and sureties issued by Budimex SA as at 31 December 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	98 130	2027-06-28	against payment	subsidiary
Budimex SA	Mostostal Kraków Energetyka Sp. z o.o.	141	2023-11-21	against payment	subsidiary
Budimex SA	Budimex Kolejnictwo SA	74 264	2029-11-30	against payment	subsidiary
Budimex SA	Budimex Bau GmbH	47	2021-12-31	free of charge	subsidiary
Budimex SA	Budimex Budownictwo Sp. z o.o.	279 554*	2029-10-15	free of charge	subsidiary
Budimex SA	Budimex Nieruchomości Sp. z o.o.	6	2023-03-18	against payment	subsidiary
Budimex SA	FBSerwis SA	31 887	2030-07-12	against payment	subsidiary
TOTAL		484 029			

*sureties were issued for contracts carried out by Budimex SA

Warsaw, 1 September 2021

Artur Popko 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.