



BUDIMEX SA

CONDENSED FINANCIAL STATEMENTS

for 1 half-year of 2020

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

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Statement of financial position

ASSETS	30 June 2020 <i>unaudited</i>	31 December 2019 <i>audited</i>
Non-currents assets (long-term)		
Property, plant and equipment	225 661	211 609
Intangible assets	33 433	32 374
Investments in subsidiaries	1 042 369	1 042 194
Investments in associates	191	191
Investments in other entities	4 385	4 385
Other financial assets	1 766	2 038
Trade and other receivables	25 687	22 823
Retentions for construction contracts	80 351	91 740
Deferred tax assets	435 035	382 864
Total non-current assets (long-term)	1 848 878	1 790 218
Current assets		
Inventories	435 847	477 879
Trade and other receivables	848 934	946 350
Retentions for construction contracts	36 057	58 023
Valuation of construction contracts	620 698	415 362
Other financial assets	135 766	123 638
Cash and cash equivalents	1 398 225	1 182 654
Total current assets (short-term)	3 475 527	3 203 906
TOTAL ASSETS	5 324 405	4 994 124

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Statement of financial position (cont.)

EQUITY AND LIABILITIES	30 June 2020 <i>unaudited</i>	31 December 2019 <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	7 240	7 293
Retained earnings	386 131	393 896
Total equity	670 583	678 401
Liabilities		
Long-term liabilities		
Loans, borrowings and other external sources of finance	116 628	106 211
Retentions for construction contracts	211 042	213 687
Provision for long-term liabilities and other charges	407 038	353 932
Retirement benefits and similar obligations	11 497	11 497
Other financial liabilities	-	197
Total long-term liabilities	746 205	685 524
Short-term liabilities		
Loans, borrowings and other external sources of finance	59 433	54 253
Trade and other payables	1 487 922	1 300 098
Retentions for construction contracts	202 373	206 465
Provisions for losses on construction contracts	247 324	241 789
Valuation of construction contracts	991 480	952 684
Deferred income	630 956	585 910
Provisions for short-term liabilities and other charges	222 438	208 790
Current tax liability	64 298	78 102
Retirement benefits and similar obligations	1 327	1 327
Other financial liabilities	66	781
Total short-term liabilities	3 907 617	3 630 199
Total liabilities	4 653 822	4 315 723
TOTAL EQUITY AND LIABILITIES	5 324 405	4 994 124

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Income statement

	Note	6-month period ended 30 June		3-month period ended 30 June	
		2020 <i>unaudited</i>	2019	2020 <i>unaudited</i>	2019
Continuing operations					
Net sales of finished goods, goods for resale, raw materials and services	3,7	3 251 317	3 016 459	1 887 394	1 804 262
Cost of finished goods, goods for resale, raw materials and services sold		(3 037 411)	(2 872 264)	(1 765 887)	(1 729 005)
Gross profit on sales		213 906	144 195	121 507	75 257
Selling expenses	3	(5 260)	(5 127)	(2 612)	(2 659)
Administrative expenses	3	(97 598)	(98 222)	(51 664)	(49 749)
Other operating income	4	47 502	34 979	26 268	26 232
Other operating expenses	4	(83 745)	(13 534)	(49 513)	(8 349)
Operating profit		74 805	62 291	43 986	40 732
Finance income	5	73 304	84 638	62 362	79 924
Finance costs	5	(18 316)	(17 217)	(9 744)	(8 023)
Gross profit		129 793	129 712	96 604	112 633
Income tax	6	(21 141)	(24 576)	(16 504)	(14 569)
Net profit from continuing operations		108 652	105 136	80 100	98 064
Net profit for the period		108 652	105 136	80 100	98 064
<i>Basic and diluted earnings per share attributable to shareholders (in PLN)</i>		4.26	4.12	3.14	3.84

Statement of comprehensive income

	6-month period ended 30 June		3-month period ended 30 June	
	2020 <i>unaudited</i>	2019	2020 <i>unaudited</i>	2019
Net profit for the period	108 652	105 136	80 100	98 064
Other comprehensive income, which:				
<i>Items to be reclassified to profit or loss upon satisfaction of certain conditions:</i>				
Cumulative translation differences	(53)	153	(1 136)	(1)
Deferred tax related to components of other comprehensive income	-	-	-	-
<i>Items not to be reclassified to profit or loss:</i>				
Actuarial gains/(losses)	-	-	-	-
Deferred tax related to components of other comprehensive income	-	-	-	-
Other comprehensive income, net	(53)	153	(1 136)	(1)
Total comprehensive income for the period	108 599	105 289	78 964	98 063

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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	-	-	-	-	108 652	108 652
Other comprehensive income	-	-	-	(53)	-	(53)
Total comprehensive income	-	-	-	(53)	108 652	108 599
Profit distribution - dividends	-	-	-	-	(116 417)	(116 417)
Balance as at 30 June 2020 <i>unaudited</i>	145 848	80 199	51 165	7 240	386 131	670 583

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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	-	-	-	-	105 136	105 136
Other comprehensive income	-	-	-	153	-	153
Total comprehensive income	-	-	-	153	105 136	105 289
Profit distribution - dividends	-	-	-	-	(160 839)	(160 839)
Balance as at 30 June 2019 <i>unaudited</i>	145 848	80 199	51 356	7 312	266 309	551 024
Profit for the period	-	-	-	-	127 587	127 587
Other comprehensive income	-	-	(191)	(19)	-	(210)
Total comprehensive income	-	-	(191)	(19)	128 587	127 377
Balance as at 31 December 2019 <i>audited</i>	145 848	80 199	51 165	7 293	393 896	678 401

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Cash flow statement

	6-month period ended 30 June	
	2020	2019
	<i>unaudited</i>	
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	129 793	129 712
Adjustments for:		
Depreciation/ amortization	38 410	33 218
Foreign exchange (gains)/ losses	282	165
Interest and shares in profits (dividends)	(62 463)	(75 702)
(Profit)/ loss on investing activities	(1 005)	(3 096)
Change in valuation of derivative financial instruments	(1 265)	3 446
Change in provisions and liabilities arising from retirement benefits and similar obligations	66 754	10 128
Other adjustments	(5)	97
Operating profit before changes in working capital	170 501	97 968
Change in receivables and retentions for construction contracts	191 028	(177 020)
Change in inventories	42 032	(82 886)
Change in retentions for construction contracts and in liabilities, except for loans and borrowings	63 693	(253 142)
Change in valuation of construction contracts and provision for losses on construction contracts	(161 005)	(234 097)
Change in deferred income	45 046	(4 237)
Change in cash and cash equivalents of restricted use	(32 113)	3 285
Cash from/ (used in) operating activities	319 182	(650 129)
Income tax paid	(87 116)	(25 664)
NET CASH FROM/ (USED IN) OPERATING ACTIVITIES	232 066	(675 793)
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of intangible assets and property, plant and equipment	1 628	1 347
Purchase of intangible assets and property, plant and equipment	(10 918)	(5 082)
Proceeds from sale of investment properties	-	5 323
Purchase of shares in affiliates	(175)	-
Purchase of bonds issued by banks	(269 079)	-
Proceeds from bonds issued by banks	253 980	-
Repayment of loans granted	43	12 600
Interest received	4 649	2 319
NET CASH FROM/ (USED IN) INVESTING ACTIVITIES	(19 872)	16 507

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budimex**Cash flow statement (continued)**

	6-month period ended 30 June	
	2020	2019
		<i>unaudited</i>
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid	-	(160 839)
Repayment of loans and borrowings	-	(9 003)
Payment of liabilities under lease	(28 032)	(23 861)
Interest paid	(1 824)	(2 267)
NET CASH USED IN FINANCING ACTIVITIES	(29 856)	(195 970)
TOTAL NET CASH FLOW	182 338	(855 256)
Foreign exchange differences on cash and cash equivalents, net	1 120	(192)
CASH AND CASH EQUIVALENTS – OPENING BALANCE (note 2.2)	1 168 231	1 136 291
CASH AND CASH EQUIVALENTS – CLOSING BALANCE (note 2.2)	1 351 689	280 843

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. 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.

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

As at 30 June 2020, 31 December 2019 and 30 June 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 June 2020	31 December 2019	30 June 2019
Budimex SA Ferrovial Agroman SA s.c.	99,98%	99,98%	99,98%
Budimex SA Cadagua SA III s.c.	99,90%	99,90%	99,90%
Budimex SA Cadagua SA IV s.c.	99,90%	99,90%	99,90%
Budimex SA Cadagua SA V s.c.	99,90%	99,90%	99,90%
Budimex SA Ferrovial Agroman SA 2 s.c.	95,00%	95,00%	95,00%
Budimex SA Sygnity SA Sp. j.	67,00%	67,00%	67,00%
Budimex SA Ferrovial Agroman SA Sp. j.***	50,00%	50,00%	50,00%
Budimex SA Tecnicas Reunidas SA Turów s.c.	50,00%	50,00%	50,00%
Budimex SA Energetyka 3 Sp.j.*	-	50,00%	50,00%
Budimex SA Cadagua SA II s.c.**	-	99,90%	99,90%
Budimex SA Energetyka 1 Sp.j.	-	-	50,00%
Budimex SA Energetyka 2 Sp.j.	-	-	50,00%

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Joint operation	Share in the share capital and in the number of votes		
	30 June 2020	31 December 2019	30 June 2019
Budimex SA Budimex Budownictwo Sp. z o.o. s.c.	-	-	99,98%

*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.

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

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

Amendments to standards effective in the current period

The Company for the first time adopted changes to standards:

- Amendments to IFRS 9 „Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement” and IFRS 7 “Financial Instruments: Disclosures” – Interest Rate Benchmark Reform;
- Amendments to IAS 1 „Presentation of Financial Statements” and IAS 8 „Accounting Policies, Changes in Accounting Estimates and Errors” – Definition of Materiality;
- Amendments to References to the Conceptual Framework in IFRS Standards;
- Amendments to IFRS 3 „Business Combinations”.

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

The above 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

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the reporting period is reduced by cash of restricted use, and its change in the statement of financial position is recognized under cash flow from operating activities.

	30 June 2020	31 December 2019	30 June 2019
Cash recognised in the statement of financial position	1 398 225	1 182 654	300 862
Cash and cash equivalents of restricted use	(46 536)	(14 423)	(20 019)
Cash recognised in the statement of cash flow	1 351 689	1 168 231	280 843

2.3. Going concern assumption

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 June 2020 the excess of the current liabilities over the current assets amounted to PLN 432 090 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 June 2020 amounted to PLN 425 692 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

	6-month period ended			3-month period ended		
	30 June 2020	30 June 2019	Change %	30 June 2020	30 June 2019	Change %
Net sales of finished goods and services	3 251 317	3 016 459	7.79%	1 887 394	1 804 262	4.61%
Gross profit on sales	213 906	144 195	48.34%	121 507	75 257	61.46%
Gross profitability on sales	6.58%	4.78%	1.80 p.p.	6.44%	4.17%	2.27 p.p.
Operating profit	74 805	62 291	20.09%	43 986	40 732	7.99%
Operating profitability	2.30%	2.07%	0.23 p.p.	2.33%	2.26%	0.07 p.p.
Net profit	108 652	105 136	3.34%	80 100	98 064	(18.32%)
Net profitability	3.34%	3.49%	(0.15 p.p.)	4.24%	5.44%	(1.20 p.p.)

Selling and administrative expenses

	6-month period ended		Change %	3-month period ended		Change %
	30 June 2020	30 June 2019		30 June 2020	30 June 2019	
Selling expenses	(5 260)	(5 127)	2.59%	(2 612)	(2 659)	(1.77%)
Administrative expenses	(97 598)	(98 222)	(0.64%)	(51 664)	(49 749)	3.85%
Total selling & administrative expenses	(102 858)	(103 349)	(0.48%)	(54 276)	(52 408)	3.56%
Share of selling & administrative expenses in net sales of finished goods and services	3.16%	3.43%	(0.27 p.p.)	2.88%	2.90%	(0.02 p.p.)

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

	6-month period ended		3-month period ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
Gains on the sale of non-financial non-current assets	1 009	3 283	796	3 283
Reversal of impairment write-downs against receivables	1 697	7 187	95	6 222
Reversal of provisions for penalties and sanctions	26 008	5 666	18 390	3 860
Penalties/ compensations awarded	15 417	13 695	7 169	10 207
Write-off of past due liabilities	427	4 346	(42)	2 874
Gains on derivative financial instruments	1 363	5	(1 437)	(318)
Subsidies received	-	539	-	-
Other	1 581	258	1 297	104
Total	47 502	34 979	26 268	26 232

Other operating expenses

	6-month period ended		3-month period ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
Loss on the sale of non-financial non-current assets	-	-	-	15
Impairment write-downs against receivables	(21 419)	(3 266)	(4 175)	(1 522)
Compensations and liquidated damages paid	(17 292)	(4 078)	(15 100)	(1 260)
Donations	(2 880)	(416)	(2 212)	(229)
Court charges	(379)	(1 116)	(379)	(717)
Creation of provisions for penalties and sanctions	(41 092)	(4 594)	(27 706)	(4 591)
Creation of provisions for litigation	(671)	-	-	-
Other	(12)	(64)	59	(45)
Total	(83 745)	(13 534)	(49 513)	(8 349)

All valued derivative instrument contracts were classified as level 2 in the fair value hierarchy. During the 6 months ended 30 June 2020 and 30 June 2019, there was no transfer between Level 1 and Level 2 of fair value measurements, and no transfer into and out of Level 3 of fair value measurement.

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

	6-month period ended		3-month period ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
Dividends	63 192	75 662	60 000	75 662
Interest earned	7 823	8 976	2 845	4 355
Foreign exchange gains	2 289	-	(483)	(93)
Total	73 304	84 638	62 362	79 924

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Finance costs

	6-month period ended		3-month period ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
Interest expense	(2 199)	(3 029)	(897)	(1 293)
Discount of retentions for construction contracts	(3 696)	(3 403)	(2 731)	(1 503)
Cost of bank commissions and guarantees	(12 405)	(10 642)	(6 112)	(5 104)
Foreign exchange losses	-	(116)	-	(116)
Other	(16)	(27)	(4)	(7)
Total	(18 316)	(17 217)	(9 744)	(8 023)

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

	30 June 2020	31 December 2019
Provisions for litigation proceedings	23 665	22 990
Provisions for penalties and other sanctions	128 235	113 151
Provisions for warranty repairs	477 576	426 581
Total	629 476	562 722
<i>of which:</i>		
- long-term	407 038	353 932
- short-term	222 438	208 790

Income tax in the income statement

	30 June 2020	30 June 2019
Income tax – current	(73 313)	(40 423)
Income tax – deferred	52 172	15 847
Income tax in the income statement	(21 141)	(24 576)

Other information

	6-month period ended	
	30 June 2020	30 June 2019
Value of property, plant and equipment, intangible assets purchased or started to be leased:	53 567	47 810
- of which: plant and machinery	33 043	6 045

As at 30 June 2020 contractual obligations made by the Company for the purchase of property, plant and equipment amounted to PLN 4 418 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 first half of 2020 Budimex SA recorded an increase in the level of cash and cash equivalents. This is mainly related to the postponement of the dividend payment date to the second half of the year. Additionally, as at 30 June 2020 there was a cyclical increase in the balance of valuation of construction contracts (assets) compared to the balance as at the end of 2019, related to a larger scale of work performed and not invoiced. Apart from that, there were no significant changes in the items of the statement of financial position.

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

In the first half-year 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	6-month period ended	
	30 June 2020	30 June 2019
Sales of construction and assembly services	3 229 071	2 986 274
Sales of other services	14 386	27 008
Sales of goods for resale and raw materials	7 860	3 177
Total sales of finished goods, goods for resale, raw materials and services	3 251 317	3 016 459

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

Country	6-month period ended	
	30 June 2020	30 June 2019
Poland	3 083 411	2 869 639
Germany	86 777	88 044
Other EU countries	81 129	58 776
Total sales of finished goods, goods for resale, raw materials and services	3 251 317	3 016 459

In the first half-year 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	6-month period ended	
	30 June 2020	30 June 2019
Land-engineering	1 437 342	1 295 466
Railway	665 092	360 448
General construction, of which:	1 126 637	1 330 360
- non-housing	821 710	1 022 655
- housing	304 927	307 705
Other	22 246	30 185
Total sales of finished goods, goods for resale, raw materials and services	3 251 317	3 016 459

8. Related party transactions

Transactions with related parties made in the first half-year of 2020 and in the first half-year of 2019 and unsettled balances of receivables and liabilities as at 30 June 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 June 2020	31 December 2019	30 June 2020	31 December 2019
Parent Company and related parties (the Ferroviar Group)	29	2 493	79 477	22 261
Subsidiary companies	238 189	157 057	13 981	16 992
Associates	48	56	15	2
Jointly controlled entities	2 129	2 172	705	759
Other related parties* - other	7	4	30	-
Total	240 402	161 782	94 208	40 014

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	Loans granted		Loans taken out	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Subsidiary companies	1 738	5 369	-	-
Total	1 738	5 369	-	-

	Sales of finished goods and services and other operating income		Purchase of finished goods and services and other operating expenses	
	6-month period ended 30 June		6-month period ended 30 June	
	2020	2019	2020	2019
Parent Company and related parties (the Ferrovial Group)	-	-	(13 970)	(21 283)
Subsidiary companies	424 689	345 502	(46 846)	(23 696)
Associates	-	3 376	(306)	(1 014)
Jointly controlled entities	245	273	-	-
Other related entities – through key personnel*	-	-	(221)	(2)
Total transactions with related parties	424 934	349 151	(61 343)	(45 995)

	Finance income		Finance costs	
	6-month period ended 30 June		6-month period ended 30 June	
	2020	2019	2020	2019
Parent Company and related parties (the Ferrovial Group)	-	-	-	(12)
Subsidiary companies	63 235	75 918	-	-
Associates	-	2 103	-	-
Total transactions with related parties	63 235	78 021	-	(12)

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

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

In the first half of 2020 the results of Budimex SA have noticeably 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 general construction, infrastructure and railway segments. In addition, favorable weather conditions positively affected the efficiency of realization of the projects despite the winter season, which also resulted in the relatively high sales revenues in analyzed period. Moreover, profitability of the newly signed contracts in general construction and infrastructure segments is constantly improving. This trend could have been observed also in the II quarter of 2020.

The order portfolio of Budimex SA is profitable and ensures adequate workload for subsequent quarters. In the recent quarters the Company has significantly increased the value of the order portfolio in the road infrastructure, which will allow to optimize production capacity in the segment in the upcoming quarters. What is more, on 7 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 we expect further dynamic growth of the railway segment share in project portfolio and in sales structure of Budimex SA.

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. Taking into account a relatively high level of cash the Company consistently offers earlier payments for

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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 25 million. Threat related to the spreading of the coronavirus resulted in changes to work organization rules, among others, by the introduction of a temporary possibility of a remote work, providing disinfection measures for employees or reorganization of the office space to ensure compliance with the recommendations of the Main Sanitary Inspectorate. 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

In the first half 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 Group 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.

Until the day of preparation of the financial statement, the situation related to COVID-19 pandemic has not changed significantly compared to 30 June 2020.

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

10. Proceedings pending as at 30 June 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 June 2020 was PLN 679 239 thousand. Excess of the value of proceedings against Budimex SA over proceedings relating to claims of the Company amounted to PLN 42 951 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 June 2020 was PLN 361 095 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 Ferrovial Agroman SA, operating as a consortium, in connection with the performance of the contract called „Construction of new premises of Muzeum Śląskie in Katowice” concluded on 7 June 2011. The claimant requested that either the amount of PLN 122 758 thousand, together with statutory interest calculated as of the date of claim filing, was awarded jointly and severally against the defendants towards undue performance of the contract, or the defendants were ordered to reduce contract transaction price by the amount of PLN 34 675 thousand being the reimbursement of the unfairly, as stated by the claimant, paid contract consideration. Art. 471 of the Civil Code was named as the basis for the principal claim, while the provisions of contractor warranty for defects in the constructed facility – for the alternative claim (*żądanie ewentualne*).

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

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Another significant case concerns a request for arbitration submitted by Steinmüller Babcock Environment GmbH ("Steinmüller") 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 318 144 thousand as at 30 June 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.

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11. Contingent assets and contingent liabilities

	30 June 2020	31 December 2019
<u>Contingent assets</u>		
From related entities, of which:	1 809	2 080
– bills of exchange received as security	1 809	2 080
From other entities, of which:	595 264	548 203
– guarantees and sureties received	590 968	544 100
– bills of exchange received as security	4 296	4 103
Total contingent assets	597 073	550 283
<u>Contingent liabilities</u>		
To related entities, of which:	504 398	588 816
– guarantees and sureties issued	504 398	588 816
To other entities, of which:	3 808 766	3 386 236
– guarantees and sureties issued	3 788 005	3 367 913
– promissory notes issued as security	20 761	18 323
Other contingent liabilities	167	167
Total contingent liabilities	4 313 331	3 975 219
Total off-balance sheet items	(3 716 258)	(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.

Warsaw, 20 August 2020

Dariusz Blocher President of the Management Board	
Artur Popko Vice-President of the Management Board	

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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 financial statements originally issued in Polish. In case of any inconsistencies between the Polish and English version, the Polish version shall prevail.