BUDIMEX SA

FINANCIAL STATEMENTS

For the year ended 31 December 2019

Prepared in accordance with International Financial Reporting Standards
authorised for use in the European Union

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(all amounts are expressed in PLN thousand)

Statement of financial position

ASSETS	Note	31 December 2019	31 December 2018
NON-CURRENT ASSETS (long-term assets)			
Property, plant and equipment	10	211 609	169 160
Investment property	11	-	3 178
Intangible assets	13	32 374	28 103
Investments in subsidiaries	15	1 042 194	690 544
Investments in associates	15	191	61 246
Investments in other entities	15	4 385	6 417
Other financial assets	16.2	2 038	75 869
Trade and other receivables	17	22 823	21 807
Retentions for construction contracts	28	91 740	79 665
Deferred tax assets	23	382 864	322 025
NON-CURRENT ASSETS (long-term), total		**1 790 218**	**1 458 014**
CURRENT ASSETS (short-term)			
Inventories	18	477 879	308 385
Trade and other receivables	17	946 350	802 012
Retentions for construction contracts	28	58 023	47 191
Valuation of construction contracts	26	415 362	552 306
Current tax assets		-	33 081
Other financial assets	16	123 638	17 055
Cash and cash equivalents	19	1 182 654	1 159 595
CURRENT ASSETS (short-term), total		**3 203 906**	**2 919 625**
TOTAL ASSETS		**4 994 124**	**4 377 639**

(all amounts are expressed in PLN thousand)

Statement of financial position (cont.)

EQUITY AND LIABILITIES	Note	31 December 2019	31 December 2018
EQUITY			
Issued capital	20	145 848	145 848
Share premium	20	80 199	80 199
Other reserves	20	51 165	51 356
Cumulative translation differences		7 293	7 159
Retained earnings	20	393 896	322 012
TOTAL EQUITY		**678 401**	**606 574**
LIABILITIES			
Non-current (long-term) liabilities			
Loans, borrowings and other external sources of finance	21	106 211	88 171
Retentions for construction contracts	28	213 687	213 836
Provisions for long-term liabilities and other charges	25	353 932	271 771
Retirement benefits and similar obligations	24	11 497	10 108
Other financial liabilities	16.1	197	-
Non-current liabilities, total		**685 524**	**583 886**
Current (short-term) liabilities			
Loans, borrowings and other external sources of finance	21	54 253	42 082
Trade and other payables	22	1 300 098	1 641 899
Retentions for construction contracts	28	206 465	205 048
Provisions for losses on construction contracts	26	241 789	159 036
Valuation of construction contracts	26	952 684	583 918
Deferred income	27	585 910	378 465
Provisions for short-term liabilities and other charges	25	208 790	174 929
Current tax liability		78 102	-
Retirement benefits and similar obligations	24	1 327	1 122
Other financial liabilities	16.1	781	680
Current (short-term) liabilities, total		**3 630 199**	**3 187 179**
TOTAL LIABILITIES		**4 315 723**	**3 771 065**
TOTAL EQUITY AND LIABILITIES		**4 994 124**	**4 377 639**

(all amounts are expressed in PLN thousand)

Profit and Loss Account

	Note	Year ended 31 December	
		2019	2018
Continuing operations			
Net sales of finished goods and services, goods for resale and raw materials	29	6 939 810	6 796 868
Cost of finished goods and services, goods for resale and raw materials sold	31	(6 546 544)	(6 313 733)
Gross profit on sales		**393 266**	**483 135**
Selling expenses	31	(10 688)	(11 098)
Administrative expenses	31	(167 660)	(206 328)
Other operating income	33	71 075	45 168
Other operating expenses	33	(95 619)	(49 758)
Operating profit		**190 374**	**261 119**
Finance income	34	155 739	171 457
Finance costs	34	(36 579)	(35 812)
Gross profit		**309 534**	**396 764**
Income tax	23	(76 811)	(75 162)
Net profit from continuing operations		**232 723**	**321 602**
Net profit for the period		**232 723**	**321 602**

Basic and diluted earnings per share attributable to shareholders (in PLN)	35	*9.12*	*12.60*

Statement of comprehensive income

	Note	Year ended 31 December	
		2019	2018
Net profit for the period		**232 723**	**321 602**
Other comprehensive income, of which:			
Items to be reclassified to profit or loss upon satisfaction of certain conditions:			
Cumulative translation differences		134	1 477
Deferred tax related to components of other comprehensive income		-	-
Items not to be reclassified to profit or loss:			
Actuarial gains/ (losses)	24	(236)	(1 353)
Deferred tax related to components of other comprehensive income	23	45	257
Other comprehensive income, net		**(57)**	**381**
Comprehensive income for the period		**232 666**	**321 983**

(all amounts are expressed in PLN thousand)

Statement of changes in equity

	Issued capital	Share premium	Other reserves	Cumulative translation differences	Retained earnings	Total
Balance as at 1 January 2019	**145 848**	**80 199**	**51 356**	**7 159**	**322 012**	**606 574**
Profit for the period	-	-	-	-	232 723	**232 723**
Other comprehensive income	-	-	(191)	134	-	**(57)**
Comprehensive income for the period	**-**	**-**	**(191)**	**134**	**232 723**	**232 666**
Dividend payment (note 36)	-	-	-	-	(160 839)	**(160 839)**
Balance as at 31 December 2019	**145 848**	**80 199**	**51 165**	**7 293**	**393 896**	**678 401**

(all amounts are expressed in PLN thousand)

Statement of changes in equity (cont.)

	Issued capital	Share premium	Other reserves	Cumulative translation differences	Retained earnings	Total
Balance as at 1 January 2018	**145 848**	**80 199**	**52 452**	**5 682**	**449 995**	**734 176**
Profit for the period	-	-	-	-	321 602	**321 602**
Other comprehensive income	-	-	(1 096)	1 477	-	**381**
Comprehensive income for the period	**-**	**-**	**(1 096)**	**1 477**	**321 602**	**321 983**
Dividend payment	-	-	-	-	(449 585)	**(449 585)**
Balance as at 31 December 2018	**145 848**	**80 199**	**51 356**	**7 159**	**322 012**	**606 574**

(all amounts are expressed in PLN thousand)

Statement of cash flows

	Note	Year ended 31 December 2019	2018
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit before tax		**309 534**	**396 764**
Adjustments for:			
Depreciation/ amortization	31	71 165	45 499
Foreign exchange (gains)/ losses		(404)	(576)
Interest and shares in profits (dividends)		(81 809)	(76 632)
(Profit)/ loss on investing activities		(58 859)	(79 076)
Change in valuation of derivative financial instruments	16.1	4 167	2 123
Change in provisions and liabilities arising from retirement benefits and similar obligations		117 380	70 012
Other adjustments	37	92	1 495
Operating profit before changes in working capital		**361 266**	**359 609**
Change in receivables and retentions for construction contracts		(170 492)	(193 931)
Change in inventories		(169 494)	(66 282)
Change in retentions for construction contracts and in liabilities, except for loans and borrowings		(340 324)	82 755
Change in valuation of construction contracts and provision for losses on construction contracts	26	588 463	(339 343)
Change in deferred income		207 445	(293 379)
Change in the balance of cash and cash equivalents of restricted use	19	8 881	17 293
Cash flow from operating activities		**485 745**	**(433 278)**
Income tax paid		(26 422)	(39 867)
NET CASH FROM/ (USED) IN OPERATING ACTIVITIES		**459 323**	**(473 145)**
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of intangible assets and property, plant and equipment		2 209	3 163
Acquisition of intangible assets and property, plant and equipment		(23 045)	(18 791)
Proceeds from sale of investment properties		5 323	-
Purchase of shares in affiliates	15	(235 682)	(7 060)
Disposal of shares in affiliates	15	1 708	120 668
Purchase of bonds issued by banks	16.3	(119 588)	(238 868)
Proceeds from bonds issued by banks	16.3	-	516 877
Loans granted	16.2	(62 000)	(34 080)
Repayment of loans granted	16.2	148 745	21 911
Dividends received	34	80 146	72 839
Interest received	16.2; 16.3	2 384	7 083
NET CASH FROM/ (USED) IN INVESTING ACTIVITIES		**(199 800)**	**443 742**

(all amounts are expressed in PLN thousand)

Statement of cash flows (cont.)

	Note	Year ended 31 December 2019	2018
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of loans and borrowings		(9 003)	-
Dividends paid		(160 839)	(449 585)
Payment of liabilities under lease		(52 769)	(22 431)
Interest paid		(4 544)	(2 909)
NET CASH (USED) IN FINANCING ACTIVITIES		**(227 155)**	**(474 925)**
TOTAL NET CASH FLOW		**32 368**	**(504 328)**
Foreign exchange differences on cash and cash equivalents, net		(428)	845
CASH AND CASH EQUIVALENTS - OPENING BALANCE	**19**	**1 136 291**	**1 639 774**
CASH AND CASH EQUIVALENTS - CLOSING BALANCE	**19**	**1 168 231**	**1 136 291**

Notes to financial statements

1. General information

Budimex SA (the „Company", „Issuer") with its registered office in Warsaw at ul. Siedmiogrodzka 9, is a joint stock company entered in the Register of Entrepreneurs kept by the District Court for the capital city of Warsaw, 12th Economic Department of the National Court Register under entry KRS No. 0000001764.

Budimex SA is the parent company of the Budimex Group (hereinafter the "Group"), in which it 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 broadly understood construction and assembly services rendered under the system of general contracting at home and abroad, and limited scope property development activities, property management, trading and production activities.

According to the Polish Classification of Activities (Polska Klasyfikacja Działalności - „PKD" 2007"), as at 31 December 2019 the main scope of the Company's business activities was civil engineering (PKD 42.11.Z). The industry branch in which the Company operates was classified by the Warsaw Stock Exchange as general construction.

As at 31 December 2019, the Company operated the following branches:

- Oddział Budownictwa Ogólnego Północ in Poznań at ul. Wołowska 92A,
- Oddział Budownictwa Ogólnego Południe in Cracow at ul. Ujastek 7,
- Oddział Budownictwa Ogólnego Wschód in Warsaw at ul. Siedmiogrodzka 9,
- Oddział Budownictwa Komunikacyjnego Północ in Warsaw at ul. Siedmiogrodzka 9,
- Oddział Budownictwa Komunikacyjnego Południe in Cracow at ul. Ujastek 7,
- Oddział Budownictwa Komunikacyjnego Zachód in Wrocław at ul. Mokronoska 2,
- Oddział Budownictwa Przemysłowego i Kolejowego in Warsaw at ul. Siedmiogrodzka 9,
- Oddział Usług Sprzętowych in Pruszków at ul. Przejazdowa 24,
- Oddział in Rzeszów at ul. Słowackiego 24,
- Oddział in Poznań at ul. Wołowska 92A,
- Budimex SA Zweigniederlassung Köln, Pferdmengesstr. 5, Köln.

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

These financial statements were authorized by the Management Board of the Company on 23 March 2020.

The Company prepared consolidated financial statements for the year ended 31 December 2019, which were authorized for issue on 23 March 2020.

Changes in the composition of the Company's Management Board were disclosed in the Directors' Report on activities of Budimex SA for 2019.

2. Going concern assumption

The attached financial statements were prepared on the assumption that the Company will continue as a going concern in the foreseeable future. As at the date of signing these financial statements, the Management Board is not aware of any facts or circumstances that would indicate any threat to the Company's continued activities after the reporting date due to an intended or compulsory withdrawal from or a significant limitation in its activities.

As at 31 December 2019, the Company's current liabilities exceeded its current assets by PLN 426 293 thousand. Given the good liquidity situation of the Budimex Group whose consolidated statement of financial position as at 31 December 2019 showed an excess of current assets over current liabilities of PLN 451 490 thousand, at the date of signing these financial statement the Management Board of the Company does not find any facts or circumstances that would indicate any threat to the Company's continued activity in the foreseeable future.

3. Basis of preparing financial statements and statement of compliance

These financial statements for the year ended 31 December 2019 were prepared in accordance with International Financial Reporting Standards ("IFRS") endorsed by the European Union ("EU") and binding as at the reporting date of these financial statements.

Standards, Amendments to Standards and IFRIC Interpretations applied for the first time in 2019

The Company adopted for use IFRS 16 „Leases" and applied this standard for the first time as of 1 January 2019, and appropriate changes in accounting policies and their impact on the financial statements were described in note 4.

Apart from that, in the financial year ended 31 December 2019, the Company applied for the first time the following amendments to IFRSs and the following IFRIC Interpretation:

- Amendments to IFRS 9 „Financial Instruments" – *„Prepayment Features with Negative Compensation",*
- Annual Improvements to IFRSs (Cycle 2015-2017),
- Amendments to IAS 19 „Employee Benefits" – *„Plan Amendment, Curtailment or Settlement",*
- Amendments to IAS 28 „Investments in Associates and Joint Ventures" - *Long-term Interests in Associates and Joint Ventures",*
- IFRIC Interpretation 23 „Uncertainty over Income Tax Treatments".

The above Amendments to Standards and IFRIC Interpretation did not have any material impact on the financial statements.

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

In authorizing these financial statements, the Company *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 IAS 1 „Presentation of Financial Statements" and IAS 8 „Accounting Policies, Changes in Accounting Estimates and Errors" – *Definition of Materiality*" (effective for annual periods beginning on or after 1 January 2020),
- Amendments to IFRS 9 „Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" – *"Interest Rate Benchmark Reform"* (effective for annual periods beginning on or after 1 January 2020),
- Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020).

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

The IFRSs endorsed by the EU do not currently 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 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" (effective for annual periods beginning on or after 1 January 2021),
- Amendments to IFRS 3 „Business Combinations" (effective for annual periods beginning on or after 1 January 2020),
- Amendments to IFRS 10 „Consolidated Financial Statements" and IAS 28 „Investments in Associates and Joint Ventures" – *"Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"* – 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"* (effective for annual periods beginning on or after 1 January 2022).

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

The financial statements were prepared under the historical cost convention, except for the hyperinflation adjustment described in note 20 and except for certain financial instruments measured at fair value at the end of each reporting period in accordance with the accounting policy described below.

In principle, historical cost is determined based on the fair value of the payment for goods or services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction on the principal (or the most advantageous) market at the measurement date and under current market conditions, irrespective of whether the price is directly observable or estimated using another valuation technique. When re-measuring an asset or a liability to fair value, the Company takes into account factors specific to the asset or liability, provided such factors are considered by market participants at asset or liability measurement date. For the purpose of measurement and/or disclosure in the financial statements of the Company, fair value is defined on the above basis, except for share-based payments which are within the scope of IFRS 2, leasing transactions which are within the scope of IFRS 16, as well as measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

The Company classifies fair value measurements using the following fair value hierarchy that reflects the significance of a particular input to the entire measurement:

- Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date,
- Level 2 inputs: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices),
- Level 3 inputs: input data for the asset or liability that are not based on observable market data (i.e. unobservable source data).

4. Changes in accounting policies and policies of financial statements preparation

In the period covered by these financial statements Budimex SA applied for the first time IFRS 16 „Leases", which in the case of lessee removes the classification of leases as operating and finance leases and requires that all leases are classified as (until now) finance leases. The Company applied the standard retrospectively with the total effect of first-time application recognized at the date of initial application. Thereby, Budimex SA *did not* restate the comparative data, and the total effect of first-time application was recognized as an adjustment to the opening balance of retained earnings.

Exemptions and practical expedients

The Company decided to apply the exemption provided in paragraph 5 of IFRS16. It means that in the case of short-term lease contracts and lease contracts where the underlying asset is of low value the Company recognizes lease payments associated with such asset as an expense on either the straight line basis or another systematic basis. Budimex SA assumed that the low-value is the Polish zloty equivalent of USD 5,000. The selection of the exemption from recognition of short-term leases was made for all types of right-of-use assets.

As regards contracts identified as lease contracts prior to first-time application of IFRS 16, i.e. in accordance with IAS 17, the Company used the practical expedient provided in IFRS 16 and *did not* perform a re-assessment of whether the given contract is a lease. This way the provisions of IFRS 16 *were not* applied to the contracts which prior to the date of first-time application were not identified as contracts containing a lease.

First-time application

In the case of lease contracts, which to date have been classified as operating leases, at the date of first-time application (except for lease contracts relating to low-value assets and the remaining lease term of less than 12 months), Budimex SA recognized a liability measured as the present value of outstanding lease payments discounted using the lessee's (Company's) incremental borrowing rate prevailing on the date of first-time application. As a corresponding entry, Budimex SA recognised the right-of-use assets at the amount equating lease liability. Since the Company did not identify any prepayments or accrued lease payments to adjust the value of right-of-use assets, the outstanding lease liability and the right-of-use assets had the same value upon first-time application and thus no adjustment was required to the opening balance of retained earnings. The identified right-of-use assets were assessed for impairment upon standard first-time application, and no need was identified to recognise their impairment.

In the case of lease contracts which to date have been classified as operating leases, upon standard first-time application, the Company applied the provisions of paragraph C9 of IFRS 16 and *did not* introduce the adjustment regarding lease contracts with low-value underlying asset. Budimex SA as lessee also used the practical expedient described in paragraph C10 point c) and treated lease contracts with their lease-term ending during 2019 (year of standard first-time application) as short-term leases.

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

The table below shows the impact of first-time application of IFRS 16 on individual items of the statement of financial position:

	31 December 2018	**Adjustment due to IFRS 16 application**	**1 January 2019**
Assets			
Non-current assets			
Property, plant and equipment	169 160	29 906	199 066
- of which: under finance lease (31 December 2018) / right-of-use assets (1 January 2019)	*128 793*	*29 906*	*158 699*
Investment property	3 178	559	3 737
- of which: under finance lease (31 December 2018) / right-of-use assets (1 January 2019)	-	*559*	*559*
Equity and liabilities			
Non-current (long-term) liabilities			
Loans, borrowings and other external sources of finance	88 171	16 876	105 047
- of which: lease liabilities	*88 171*	*16 876*	*105 047*
Current (short-term) liabilities			
Loans, borrowings and other external sources of finance	42 082	13 589	55 671
- of which: lease liabilities	*33 063*	*13 589*	*46 652*

The incremental borrowing rate applied by the Company (as lessee) to lease liabilities recognised in the statement of financial position upon standard first-time application ranged between 3.07% - 4.45%.

Identifying a lease

At inception of a contract, Budimex SA makes an assessment whether the contract contains a lease. A contract is a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Accounting by lessee

At the commencement date of a lease, the Company recognises a right-of-use asset and, as a corresponding entry, a lease liability.

At the commencement date, the right-of-use asset is measured at cost, which comprises the amount of the initial measurement of lease liability, increased by:

- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee;
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset/ restoring the site on which it was located or restoring the underlying asset required by the terms and conditions of the lease.

After the commencement date, the right-of-use asset is depreciated and assessed to determine whether it is impaired in accordance with IAS 36. The value of the right-of-use asset is re-measured if lease liability, as a corresponding entry, was re-measured due a change in the future of now fixed lease payments or due to a change in the lease term or re-assessment of lease.

At the commencement date, the lease liability is measured at the present value of lease payments outstanding at that date. Lease payments are discounted using the incremental borrowing rate calculated for the Company as the lessee.

After the commencement date, lease liability is increased by accrued interest and reduced by paid lease payments. As stated above, the value of lease liability may be remeasured as a result of lease change or reassessment, or as a result of change in future lease payments following change in the now fixed index or rate.

Presentation/ Disclosure

Budimex SA decided to account for the right-of-use assets in the same reporting line item, in which said assets would be presented had they been owned by the lessee. This means that the right-of-use assets were presented in the following reporting line items:

- property, plant and equipment (contracts of rent/ hire/ lease of office space, plots of land used temporarily as construction sites, passenger and commercial vehicles and the right of perpetual usufruct of land used for the Company's own needs);
- investment property (right of perpetual usufruct of land).

Lease liabilities were presented under „Loans, borrowings and other external sources of finance", and the value of lease liabilities was disclosed in the notes to the financial statements.

Right to perpetual usufruct of land vs IFRS 16

Based on a general definition of a lease, the Company determined that the right of perpetual usufruct of land, treated so far as an operating lease in accordance with IAS 17, under IFRS 16 meets the definition of a lease and thus should be recognised in the statement of financial position as a right-of-use asset.

As regards the right of perpetual usufruct used for the Company's own use, it is recognized under tangible fixed assets, is subject to depreciation, and interest on the liability from lease of right of perpetual usufruct reduces finance costs of the Company. As a corresponding entry, Budimex SA recognises a long- or short-term lease liability, as appropriate.

The right of perpetual usufruct that relates to investment property is recognised under this reporting line item. In accordance with the Company's accounting policy, investment property is subject to depreciation, and interest on liability from lease of perpetual usufruct right is charged to finance costs. As a corresponding entry, Budimex SA recognises a long- or short-term lease liability, as appropriate.

5. Key accounting policies

The main accounting policies applied during the course of the preparation of these financial statements are presented below. These accounting policies were applied consistently in all the periods presented, except for the application of new or amended standards and IFRIC interpretations which are binding for the annual periods commencing on or after 1 January 2019.

5.1 Foreign currency transactions and valuation of foreign currency items

Functional and presentation currency

Items recognised in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial data are presented in Polish zloty, which is the functional and presentation currency of the Company. Figures in the financial statements are rounded up to the nearest PLN thousand, unless stated otherwise in specific cases.

Transactions and balances

Foreign currency transactions are initially stated in the functional currency; for the purpose of translation of foreign currency balances, a spot exchange rate (of the functional currency into foreign currency) prevailing on the transaction date is used.

At each reporting date:

- monetary items expressed in foreign currency are translated using the closing rate,
- non-monetary items stated at historical purchase price or at cost of production expressed in foreign currency are translated using the exchange rate prevailing on the transaction date,
- non-monetary items stated at fair value expressed in foreign currency are translated using the exchange rates prevailing on the date, on which the fair value was determined.

Foreign exchange differences relating to foreign currency assets and liabilities that originated on the date of assets and liabilities measurement, on settlement of foreign currency receivables and payables as well as on sale of currencies are included under finance income or finance costs, as appropriate. In the event of non-monetary items stated at fair value, where gains or losses on re-measurement to fair value are recognised in equity, then the foreign exchange differences are also recognised in equity. If gains or losses from re-measurement to fair value are included in the profit and loss account, the translation exchange differences are also recognised in the profit and loss account.

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

Foreign operations

The financial result, assets, equity and liabilities of a foreign operation with a functional currency other than that of the Company (in Euro) are translated into Polish zloty as follows:

- assets and liabilities are translated using the closing rate prevailing at the reporting date,
- revenues and costs are translated using the average exchange rate (using the exchange rate being an arithmetic average of average exchange rates established by the National Bank of Poland for the last day of each ended month for the period from 1 January to 31 December of every respective year),
- all resultant exchange differences are recognised as a separate item of other comprehensive income, and accumulated as an item of equity under "Cumulative translation differences".

5.2 Property, plant and equipment

Property, plant and equipment are stated at cost or cost of production less accumulated depreciation and impairment losses. Land is stated at cost less accumulated impairment losses.

Property, plant and equipment, except for land, are depreciated in the manner reflecting the pattern of consumption of economic benefits of specific items, using the straight-line method, so as to spread their initial cost reduced by residual value over the period of their estimated useful lives. Depreciation starts when a given item of property, plant and equipment is available for use.

The useful lives of the Company's property, plant and equipment are as follows:

• right-of-use asset - land	2 – 71 years
• own buildings and constructions	2 – 40 years
• right-of-use asset - buildings and constructions	2 – 7 years
• own plant and machinery	2 – 14 years
• right-of-use asset - plant and machinery	2 – 13 years
• own means of transport	2 – 14 years
• right-of-use asset - means of transport	2 – 7 years
• own other [tangible] fixed assets	2 – 14 years
• right-of-use asset - other [tangible] fixed assets	2 – 4 years

Any subsequent expenditure is included in the carrying amount of a given fixed asset or is recognised as a separate item, if and only if it is probable that an inflow of economic benefits will flow to the Company and the cost of the item may be reliably measured. Other costs incurred since the initial recognition such as costs of repair, overhaul or operating fees affect the financial result for the reporting period, in which they were incurred, except for the significant costs of overhauls which are recognised in the carrying amount of (capitalised in) the appropriate item of property, plant and equipment.

Verification of residual values and useful lives of property, plant and equipment is performed at least once a year and, if necessary, their values are adjusted. Where the carrying amount of a given item of property, plant and equipment exceeds its estimated recoverable amount, the carrying amount is immediately reduced to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by way of comparing sale proceeds and assets carrying amount, and are recognised in the profit or loss.

Construction in progress

Construction-in-progress is stated at the amount of aggregate costs directly attributable to the acquisition or production of such assets, including financing costs, less any impairment losses. Construction-in-progress is not depreciated until completed and brought into use.

Prepayments for construction in progress are presented under property, plant and equipment.

5.3 Investment property

Investments in property (investment property) are initially stated at acquisition cost or cost of production, after including transaction costs. After initial recognition, investment property, except for land and properties meeting the classification criteria of held for sale items, is depreciated using the straight-line method and adjusted for impairment losses, if any.

As at 31 December 2019 Budimex SA did not have any investment property.

5.4 Intangible assets

Intangible assets are recognised if it is probable that the future economic benefits that are directly attributable to the assets will flow to the Company and that the acquisition cost or cost of development of an intangible asset can be reliably measured.

Initially, intangible assets are stated at cost or cost of development. Following initial recognition, intangible assets are stated at cost or cost of development less accumulated amortisation and total value of impairment losses.

Intangible assets are amortized using the straight line method over their estimated useful lives.

The expected useful lives of the Company's intangible assets are as follows:

- software 2 – 10 years

The estimated useful life and the amortisation method are subject to review at the end of each financial year and the results of changes in estimates are accounted for prospectively.

Prepayments for the purchase of intangible assets are presented under intangible assets.

5.5 Long-term assets (disposal groups) classified as held for sale

Included in this group are non-current assets (or disposal groups) provided their carrying amount will be recovered through disposal rather than through further use of the asset.

Non-current assets (or disposal groups) are measured at the lower of carrying amount and fair value less selling expenses. The fair value of non-current assets (disposal groups) classified as held for sale is determined in accordance with IFRS 13.

5.6 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost or cost of production of that asset until such assets are generally fit for the intended use or disposal.

Borrowing costs comprise interest calculated using the effective interest rate method, finance charges under lease agreements and FX differences arising from external financing to the amount matching cost adjustment.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

The qualifying assets at the Company are mainly property, plant and equipment, investment property and intangible assets.

5.7 Leases

The accounting policy relating to leases has been described in note 4.

5.8 Impairment of non-financial assets

An assessment is made by the Company at each reporting date to determine whether there is any objective evidence that a non-financial asset or a group of assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and an impairment loss is recognised for the difference between the recoverable amount and the carrying amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The latter corresponds to the present value of estimated future cash flows discounted using the pre-tax discount rate, which includes the current market assessment of the time value of money and the risk specific to a given item of assets.

For the purpose of impairment testing, assets are grouped on the lowest possible level, on which identifiable separate cash flows (cash generating units) occur. A cash generating unit is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Impairment losses are recognised in the profit and loss account.

If a previously recognised impairment loss is reversed, the carrying amount of an asset (or a cash generating unit) is increased to a new estimated recoverable amount. That increased amount cannot exceed the total of carrying amount of this asset that would have been determined, had no impairment loss been recognised for the asset (cash generating unit) in prior years. Such reversal is recognised immediately in the profit or loss.

5.9 Inventories

Inventories comprise raw materials, goods for resale, work in progress and finished goods. In classifying inventory items to individual categories, the following policies are applied by the Company:

- Raw materials – represent items kept in warehouses that are to be used in production processes, especially to be consumed in construction activities,
- Work in progress – represents general purpose and low processed inventory items which are stored on construction sites and which may be used, in a simple way and without incurring significant costs, for the realisation of other contracts, or sold (if considered unnecessary for given contract performance),
- Goods for resale – inventory items purchased for re-sale purposes,
- Finished goods – internally developed goods for which the process of development was completed.

Excluded from inventories are the items stored on construction sites which are to be used specifically for a given construction project, processed either internally or externally by a subcontractor, and whose disposal or straightforward use for other contracts performance is not certain. Such items are recognised directly in contract costs.

Inventories are measured at the lower of cost or cost of production and net realisable value.

Net realisable value is the selling price estimated at the reporting date, net of VAT and excise taxes, less any rebates, discounts, less the estimated costs to complete and costs to sell.

Issues/ decreases of raw materials are measured at cost determined as the weighted average price of raw materials. Issues/ decreases of goods for resale are measured at cost determined on the “first in – first out” basis, while those of the work in progress and finished goods – at the cost of direct materials and labour and an appropriate proportion of manufacturing overheads based on normal operating capacity.

Prepayments for the purchase of inventory items are presented under short-term receivables.

5.10 Cash and cash equivalents

Cash on hand and cash at bank is carried at nominal value.

“Cash and cash equivalents” presented in the statement of cash flows comprise cash on hand, a-vista deposits and these bank deposits which can easily be changed into known amount of cash and which incur insignificant risk of price fluctuations (with a maturity date of up to 12 months).

Included in the cash of restricted use are mainly cash items representing:

- security for bank guarantees,
- funds gathered on split payment accounts,
- cash at escrow accounts and current accounts in the part due to the contractors realizing construction contracts.

The Company recognises cash of restricted use in the statement of financial position under cash and cash equivalents, while for the purpose of statement of cash flows – the balance of cash at the beginning and at the end of the reporting period is reduced by cash of restricted use, and change in their balance is recognised under cash flow from operating activities.

5.11 Financial instruments

Classification and measurement

A financial asset is any asset that belongs to the following categories:

- cash and cash equivalents,
- equity instruments of another entity,
- contractual right:
  - to receive cash or other financial assets from another entity, or
  - to exchange financial assets or financial liabilities with other entity under conditions that are potentially favourable to the Company,
- a contract that will or may be settled in the entity’s own instruments and is:
  - a non-derivative instrument for which the Company is or may be obliged to receive a variable number of own equity instruments, or
  - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company’s own equity instruments.

A financial liability is any liability that is:

- a contractual obligation:
  - to deliver cash or another financial asset to another entity; or
  - to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
- a contract that will or may be settled in the Company's own equity instruments and is:
  - a non-derivative for which the Company is or may be obliged to deliver a variable number of own equity instruments; or
  - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments.

Financial assets and financial liabilities are recognised where the Company becomes a party to a binding contract.

Initially financial assets are measured at fair value (the initial cost of the financial assets and financial liabilities subsequently measured at amortized cost is adjusted for the transaction costs).

Trade receivables which do not contain any significant financing component (within the meaning of IFRS 15) are initially stated at their transaction price.

The classification of financial assets is based on the business model of the Company for managing the financial assets and based on the characteristics of contractual cash flows for a given financial asset.

In the periods following the initial recognition, financial assets are measured at:

- amortized cost,
- fair value through other comprehensive income (FVOCI),
- fair value through profit or loss(FVPL).

A financial asset is recognised at amortized cost, if:

- it is held in accordance with the business model whose objective is to collect contractual cash flows, and
- the contractual cash flows of an asset give rise to payments on specified dates that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income (FVOCI), if:

- it is held in accordance with the business model whose objective is both to collect contractual cash flows and to sell the financial asset, and
- the contractual cash flows of an asset give rise to payments on specified dates that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

In addition, the Company is entitled to irrevocably determine a non-tradable investment in equity instruments, which, upon initial recognition, was measured at fair value through other comprehensive income (FVOCI) (otherwise, such investment would be measured at fair value through profit or loss (FVPL)). The amounts accumulated in other comprehensive income shall not be reclassified to the profit or loss, even upon de-recognition from the statement of financial position. Such investment is a non-monetary item. If the investment is denominated in a foreign currency, the exchange differences are also recognized in other comprehensive income. Dividends are, in turn, recognised in the profit or loss.

In all other cases, a financial asset is measured at fair value through profit or loss (FVPL).

Trade receivables arising from executed construction contracts or made inventory prepayments (but not classified as financial instruments) are recognised as current receivables, since it is expected that these will be settled during the course of a normal operating cycle of the entity.

Receivables from retentions for construction contracts and loans with a maturity of less than 12 months are recognised as current assets. Long-term liabilities arising from retentions for construction contracts are discounted to the present value using the effective interest rate.

Assets are derecognised when the contractual rights to the underlying cash flow expired or were transferred, and the transfer was made of substantially all of the risks and rewards of the ownership of the assets.

Revenue from interest on financial assets (measured, as appropriate, at amortized cost, FVPL or FVOCI) are recognised under finance income.

After initial recognition, all financial liabilities which are measured at amortized cost, except for financial liabilities that are classified as at fair through profit or loss (meeting definition of held for trading), are measured at fair value.

The special sub-category of financial assets and financial liabilities held for trading are derivative financial instruments. Transactions involving derivative financial instruments are also made to hedge cash flows against FX risk.

At the reporting date, derivative financial instruments are measured at reliably determined fair value. The fair value of derivative financial instruments is assessed using the model which is based, among others, on currency exchange rates (closing rate) prevailing at the reporting date or on differences in interest rate levels of the quotation and base currencies.

The effects of periodic valuation of derivatives hedging foreign currency construction contracts against the risk of FX fluctuations as well as gains and losses determined at their settlement date are reported in the profit and loss account under "Other operating income (expenses)" as part of operating activity.

The effects of periodic valuation of derivatives hedging the items of financing activities against the risk of interest rate or FX fluctuations as well as gains and losses determined at their settlement date are reported in the profit and loss account under "Finance income (finance costs)" as part of financing activity.

The Company does not apply hedge accounting.

As regards transactions on the money, equity or derivatives markets, Budimex SA cooperates with the banks of good financial standing and thus do not contribute to significant credit risk concentration.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECL allowance). Credit losses are a difference between all cash flows due and receivable under the given contract and the cash flows that are actually expected, after considering any shortages (i.e. default payment). If the financial assets covered by the impairment write-down are long-term, then the ECL allowance is discounted using the effective interest rate (i.e. the interest rate prevailing at the time of asset recognition).

Amount of expected credit loss allowance

Where the financial assets are covered by IFRS 15 (i.e. trade receivables, retentions for construction contracts, valuation of construction contracts), the Company measures the amount of lifetime ECL allowance of the given financial asset.

Where the financial assets are not covered by IFRS 15 (i.e. investments in equity instruments, loans granted and other financial assets not measured at fair value), credit losses are estimated for the entire estimated lifetime of the given financial asset, if credit risk related to the given financial asset significantly increased from the time of asset's initial recognition. If credit risk did not significantly increase from the asset's initial recognition, the ECL allowance is recognized at the amount of the 12-month expected credit losses (12-month ECL).

In the case of financial assets not covered by IFRS 15, if the Company initially recognised the lifetime ECL allowance for a financial asset and then at the following reporting date ascertained that the related credit risk *was no longer* significantly higher, the Company
re-measured the lifetime ECL allowance to the amount of 12-month expected credit losses.

5.12 Equity

Issued capital comprises ordinary shares and is recorded at nominal value (consistently with the provisions of the Company's Articles of Association and entry in the National Court Register) adjusted by the effects of hyperinflation for the period, in which Polish economy was hyperinflationary.

Share premium represents a difference between the price for which Company's shares were taken up and their nominal value. It was adjusted by the effects of hyperinflation for the period, in which Polish economy was hyperinflationary.

Other reserves cover the capital established in accordance with Polish statutory requirements, capital established in accordance with the Company's Articles of Association in excess of statutory amounts, costs of introduction by Ferrovial SA (note 38) of the share-based payment plan as well as actuarial gains/(losses) on retirement benefits and similar obligations.

Cumulative translation differences comprise the effect of translation of the financial statements of foreign operations of the Company from foreign currencies to Polish zloty (PLN).

5.13 Employee benefits

The Company operates retirement benefits/ pension plan programs and to this end creates provisions for the present value of their underlying liabilities, which are presented under "Retirement benefits and similar obligations". Payments under these programs are expensed to the profit or loss so as to ensure that the costs of those benefits are spread over employees' entire working lives at the Company. The amount of the provision is determined by an independent actuary using the projected unit credit method. Actuarial gains and losses on post-employment benefits are recognised in other comprehensive income and are not transferrable to profit or loss.

Future Company's employee benefits and allowances *are not* funded as no separate fund is recognised for this purpose.

5.14 Share-based payments

Ferrovial SA, the ultimate parent company, operates own equity-settled, share-based compensation plan under which employees of the Company render services to the Company and to its subsidiaries in exchange for equity instruments of Ferrovial SA. In accordance with IFRS 2, the fair value of employee services provided in exchange for equity awards of Ferrovial SA is recognised in the financial statements as an expense with a corresponding increase in other reserves or liabilities, over the period in which vesting conditions are fulfilled (vesting period). The fair value of employee services is indirectly measured by reference to the fair value of equity instruments at the grant date. Vesting conditions, other than market conditions, are taken into account by adjusting the number of equity instruments included in the measurement of the entire transaction so that, ultimately, the cost of services received is based on the number of equity instruments that are expected to vest.

Pursuant to an agreement with the Ferrovial Group concluded in 2014, Budimex SA undertook to cover program costs with respect to the tranche of equity instruments granted in 2014 and in the ensuing years. Therefore, the fair value of employee services related to equity instruments granted in 2014 and in the ensuing years was classified as liabilities (with a corresponding cost entry). The fair value of equity awards granted in the years 2010-2013 was recognized in other reserves.

5.15 Provisions

The Company creates provisions for future liabilities, the maturity or amount of which are not certain. Provisions are recognised when:

- the Company has a present obligation (legal or constructive) as a result of a past event, and
- it is highly probable that settlement of this obligation will result in an outflow of resources embodying economic benefits, and
- a reliable estimate can be made of the amount of this obligation.

In the case of rendered construction services the Company is required to provide appropriate warranties. The amount of warranty provision is linked to particular construction segments and ranges from 0.3% to 1.5% of total revenue from a given contract. This value is assessed on an individual basis and in justified cases may be increased or decreased. The costs of future warranty repairs are recognised in the cost of goods sold.

5.16 Recognition of revenues and expenses

Revenue from contracts with customers is recognised only if all of the below conditions have been fulfilled:

- the parties to the contract have approved the contract and are committed to perform their respective obligations,
- the Company can identify each party's rights regarding the goods or services to be transferred,
- the Company can identify the payment terms for the goods or services to be transferred,
- the contract has commercial substance,
- it is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

The Company combines two or more contracts entered into at or near the same time with the same customer (or related parties of the customer) and accounts for the contracts as a single contract if one or more of the following criteria are met:

- the contracts are negotiated as a package with a single commercial objective;
- the amount of consideration to be paid in one contract depends on the price or performance of the other contract; or
- the goods or services promised in the contracts (or some goods or services promised in each of the contracts) are a single performance obligation.

The Company accounts for a contract modification as a separate contract if the scope of the contract increases because of the addition of promised goods or services that are distinct and if the price of the contract increases by an amount of consideration that reflects the entity's stand-alone selling prices of the additional promised goods or services.

The Company recognises revenue when (or as) the Company satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. Revenue is recognised as the amounts equating the transaction price which was allocated to individual performance obligation in the contract,

At contract inception, the Company assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer a good or service (or a bundle of goods or services) that is distinct, or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

The Company transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the company's performance as the Company performs,
- the Company's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced, or
- the Company's performance does not create an asset with an alternative use to the Company and it has an enforceable right to payment for performance completed to date.

It is assumed that in rendering by the Company of construction services, principally one performance obligation arises. Thus the issue of allocation of transaction price to each performance obligation (or good or service) identified in the contract does not require estimation.

IFRS 15 requires that a uniform method is applied to recognise revenue from contracts and obligations which show similar characteristics. The method preferred by the Company is to measure the value of goods and services transferred to the customer as the respective performance obligations are satisfied over time is the surveys of work performed method or the work progress measurement method *(metoda obmiaru wykonanych prac),* which is the results-based method, as long as during the course of contract performance measurement is possible of the progress towards complete satisfaction of that performance obligation.

Given the above, the method of the proportion that the costs incurred to the date of revenue determining bear in the total cost of goods or services (the expenditure-based method) is applied only where the progress of works may not be reliably measured using the work progress measurement (results-based) method.

In the contracts for services, under which goods and services are principally the same and under which goods and services have the same consumption pattern in such way that the customer consumes the goods and services as it receives them, the revenue recognition method selected by the Company is based on the time that has passed, while the costs are recognised in accordance with the accruals concept.

If the outcome of a performance obligation may not be measured in a reliable manner, revenue is recognised only to the extent of the costs incurred that the Company expects to recover.

If contract performance obligation is not satisfied over time, it is assumed that the Company satisfies it at a point in time.

Where it is possible that the total contract costs will exceed total contract revenue, then in accordance with IAS 37 the expected loss (excess of cost over revenue) is recognised as an operating expense with a corresponding entry being recognition of a provision for onerous contracts (provision for contracts losses).

Included in assets is "Valuation of construction contracts" referring to all contracts in progress, for which recognised profits exceed progress billings. The outstanding invoiced amounts due and payable for the contract work performed are recognised under "Trade and other receivables", while the amounts retained by contractors - under "Retentions for construction contracts".

Included in liabilities is "Valuation of construction contracts" referring to all contracts in progress, for which progress billings exceed recognised profits. Recorded under "Provisions for contract losses" are also provisions for contract losses. The outstanding amounts due and payable to suppliers, for which invoices have been received are recognised under "Trade and other payables", while the amounts retained for suppliers - under "Retentions for construction contracts".

The incremental costs of obtaining a contract are recognized as an expense for the period due to the lack of certainty as to their recovery.

Customer contracts concluded by the Company do not include a significant financing component. In case of construction contracts, investor advance payments are consumed by the expenditure incurred at construction initial stages, and so no long-term financing of executed construction with received advance payment exists.

The Company does not have any contracts with variable consideration.

Consideration received in respect of undelivered goods or uncompleted services (advance payments) is recognised in the statement of financial position as deferred income.

Interest income is recognised with respect to the principal amount due and receivable in accordance with the effective interest rate method.

Dividend income is recognised when the shareholder right to receive dividend has been established.

In accordance with the accruals concept, the Company recognises in the profit and loss account all costs relating to the given period, irrespective of the period, in which they were actually settled. The incurred costs that do not relate to the given period are recognised under assets as prepayments (in the line item „Trade and other receivables"), while the non-incurred costs that relate to the given period – under liabilities from un-invoiced costs (in the line item: „Trade and other payables").

5.17 Gross profit/ (loss) on sales

Gross profit/ (loss) on sales is the difference between:

- revenue from sale of ordinary production and other services rendered as part of ordinary business activities of the Company, and from sale of goods for resale and raw materials, and
- the cost of development of finished goods and services sold and the purchase cost of goods for resale and raw materials sold.

5.18 Operating profit/ (loss)

Operating profit/ (loss) covers revenues and costs of operating activities without taking into account finance costs and finance income, which primarily include interest, foreign exchange differences and cost of commission and bank guarantees.

5.19 Income tax (incl. deferred tax)

The item "income tax" in the profit and loss account includes current and deferred tax.

Income tax on revenues earned in Poland is calculated in accordance with Polish tax regulations, while revenues from a foreign operation are subject to local tax regulations, after considering appropriate treaties on avoiding double taxation.

Due to the temporary differences between the carrying amount of assets and liabilities recognised in the books of account and their tax bases and due to carry-forward of unused tax losses, the Company recognises deferred tax liability and deferred tax assets in its financial statements.

Deferred tax liabilities are recognised in the amount of income tax to be paid in the future in respect of all taxable temporary differences i.e. differences that will cause an increase in the tax base (taxable amount) in the future.

Deferred tax assets are determined in the amount that is anticipated to be deducted from income tax in connection with deductible temporary differences, which in the future will cause a decrease in the tax base (taxable amount) and in the amount of carry-forward of unused tax losses.

The carrying amount of deferred tax assets is reviewed at each reporting date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available in the future to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and deferred tax liabilities are measured using the tax rates that are expected to apply in the period when the asset is realised and or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. Deferred tax assets and deferred tax liabilities are netted off.

Current tax and deferred tax are included in the profit and loss account, except for the items recorded in other comprehensive income or directly in equity. In such situation, current tax and deferred tax are also included, as appropriate, in other comprehensive income or in equity.

5.20 Value added tax

Revenues, expenses, assets and liabilities are recognised net of the amount of value added tax except:

- where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated inclusive of value added tax.

The net amount of value added tax recoverable from, or payable to the tax authority is included as part of receivables or payables in the statement of financial position.

5.21 Recognition of uncertain tax position

If according to the Company assessment it is probable that the tax authorities will accept an uncertain tax treatment or a group of uncertain tax treatments, the Company determines taxable income (tax loss), tax base, carry-forwards of unused tax losses and unused tax credits and tax rates, after considering in its tax return the applied or planned approach to taxation.

If the Company ascertains that it is not probable that the tax authorities will accept an uncertain tax treatment or a group of uncertain tax treatments, the Company reflects the impact of this uncertainty in determining taxable income (tax loss), carry-forward of unused tax losses, unused tax credits or tax rates by determining the most probable scenario, which is a single amount from among possible results.

5.22 Joint arrangements

The Company's share in joint arrangements depends on joint arrangement classification. Where a joint arrangement is classified as:

- joint operation - (registered partnerships, civil law partnerships – where the partners have right to their share in the assets and obligations for the liabilities relating to the arrangement) – the Company recognises its assets and liabilities (including share in the assets and liabilities held/incurred jointly) and its part of revenues and costs of a joint operation,
- joint venture (companies – where shareholders have right to company's net assets) – the Company recognises its share using the equity method.

6. Key estimates and assumptions

Estimates and assumptions are verified on an ongoing basis. These result from previous experience and other factors, including forecasts of future events, which seem to be reasonable in the given circumstances.

6.1 Key accounting estimates

The Company's Management Board makes estimates and assumptions regarding future which are reflected in these financial statements. The actual results may differ from these estimates. The Company's estimates relate, among others, to established provisions, valuation of construction contracts, impairment write-downs of assets, accruals and deferred income or adopted depreciation/ amortisation rates. Material assumptions, not described in this point, and adopted in the estimate of above values have been described in note 5 "Key accounting policies".

Un-invoiced services

The Company executes the majority of construction contracts in the capacity of general contractor with extensive support from various subcontractors. Realised construction works are approved by the investor in the process of technical approval and acceptance on the basis of technical acceptance protocol and invoice. At each reporting date, a number of completed, yet not accepted and un-invoiced by subcontractors, construction project works is recorded. In accordance with the accruals concept, these are recognised by the Company as contract costs. The value of the costs of completed and un-invoiced projects is determined by technical surveyors on the basis of quantity survey and may be different from that determined in the formal process of technical acceptance of construction works.

Tax settlements

Polish law contains numerous regulations concerning VAT, excise tax, corporate income tax and social security contributions. Regulations regarding these taxes are subject to frequent changes which cause that these regulations are unclear and inconsistent. Frequent differences in the legal interpretation of tax regulations both between government bodies, and between government bodies and taxpayers contribute to the origination of areas of uncertainty and conflict. Tax and other settlements (e.g. customs or foreign currency settlements) may become subject to inspection by tax authorities for a period of five years. Relevant tax control authorities are authorised to impose high penalties and fines together with high interest. There is a risk that tax or other administrative bodies take standpoint on certain matters different to that adopted by the Company as regards interpretations of binding regulations. This, in turn, could have a significant impact on the tax liabilities of the Company.

On 15 July 2016, amendments were made to the Tax Ordinance to introduce the provisions of General Anti-Avoidance Rule (GAAR). GAAR are targeted to prevent origination and use of contrived legal structures made to avoid payment of tax in Poland. GAAR define tax evasion as an activity performed mainly with a view to realising tax gains, which is contrary, under given circumstances, to the subject and objective of the tax law. In accordance with GAAR, an activity does not bring about tax gains, if its modus operandi was false. Any instances of (i) unreasonable division of an operation (ii) involvement of agents despite lack of economic rationale for such involvement, (iii) mutually exclusive or mutually compensating elements, as well as (iv) other activities similar to those referred to above may be treated as a hint of contrived activities subject to GAAR. These regulations will require considerably greater judgment in assessing tax effects of individual transactions.

The GAAR clause is applied to the transactions performed after clause effective date and to prior transactions, but for which after the clause effective date tax gains were realised or continue to be realised. The implementation of the above provisions enabled Polish tax authority challenge such arrangements realised by tax remitters as group restructuring or group reorganization.

Provisions for warranty repairs

The Company is required to issue warranties for its construction services rendered. The amount of warranty provision is linked to particular construction segments and ranges from 0.3% to 1.5% of total revenue from a given contract. This ratio is, however, analysed on an individual basis and in justified cases may be increased or reduced, as appropriate.

Provisions for legal cases, penalties and liquidated damages

The Company's Management Board has performed detailed analyses of risks arising from pending court cases against the Company and based thereon takes decision on the recognition and amount of appropriate provisions, if any.

6.2 Professional judgment in applying accounting policies

Recognition of construction contracts revenue and losses

In accordance with the description presented in note 5.16, the preferred method of measurement of goods and services transferred to the customers over time is the survey of work performed method or the work progress measurement method *(metoda obmiaru wykonanych prac),* which is the results-based method. This method requires making physical measurements of construction works and allocation of unit selling prices and unit costs to individual goods developed under construction contracts.

The method of the proportion that the costs incurred to the date of revenue determining bear to the total costs of goods or services is applied only where measuring the progress of works may not be reliably measured using the work progress measurement (results–based) method. In the case of this method, revenue from construction contracts during the period from contract inception to the reporting date, after deducting revenue that affected prior periods financial result, is determined in proportion to the stage of contract completion, which is determined based on the proportion that contract costs incurred for work performed to the date of revenue determining bear to the estimated total contract costs.

Irrespective of the applied method to measure progress in the complete satisfaction of a performance obligation to transfer goods or services to the customer, the key element that facilitates sales revenue measurement are the budgets of individual contracts. Twice a year, the budgets of individual contracts are subject to the update (revision) procedure, based on the current information, and are approved by the Management Board. Where any "in-between" events are identified that materially affect contract result, total contract revenue or total contract costs may be updated earlier, i.e. prior to scheduled contract revision date.

Where total contract costs may exceed total contract revenue, then in accordance with IAS 37 the expected loss (excess of cost over revenue) is recognised as an operating expense with a corresponding entry being recognition of a provision for onerous contracts (provision for contracts losses). The amount of the expected contract loss is also updated during budget revisions and is the best estimate of the costs that the Company will have to incur to complete a given construction contract.

7. Discontinued operations

In 2019 and 2018, no operations were discontinued within the meaning of IFRS 5.

8. Financial risk management

The main financial instruments used by the Company are:

- leases, loans and borrowings, the objective of which is to obtain financial resources to finance Company's activities,
- trade receivables and trade liabilities as well as other receivables and other payables, and cash and short-term deposits that arise during the course of normal business activities of the Company,
- derivative financial instruments such as foreign currency forward contracts and currency options, the purpose of which is to manage currency risk arising from construction contracts in foreign currency.

In the course of its business, the Company is exposed to various financial risks, such as currency risk, interest rate risk, price risk, credit risk or loss of liquidity risk. The Management Board verifies and determines risk management policies for each of the risk types identified.

Currency risk

As part of its core business activities, the Company enters into foreign currency construction contracts and agreements with subcontractors and suppliers. The foreign currency risk management policy adopted by the Management Board consists in hedging future cash flows on these contracts in order to limit the effect of volatility of currency exchange rates on the results of the Company. In accordance with this policy, the Company hedges against foreign currency risk attached to each construction contract, where the value of payments (inflows or outflows) in foreign currencies is considered significant. Hedging against foreign currency risk is made using derivative financial instruments, mainly currency forward contracts (FX forwards) or, if possible, using natural hedge mechanism, which consists in concluding supplier or subcontractor agreements in the currency of the underlying contract.

In accordance with the Company's policy, foreign currency exposure is systematically measured for both individual construction contracts (by way of analysis of foreign currency inflows and outflows for the contracts concluded in foreign currency and by way of foreign currency outflows for the contracts concluded in domestic currency) and for all contracts in aggregate. It is the Management Board's policy to hedge the net foreign currency exposure on individual contracts. As at 31 December 2019, the Company had approx. 81% of its foreign currency exposure hedged. The Company is also exposed to foreign exchange risk relating to planned future payments in foreign currencies that arise from concluded contracts for the purchase of tangible fixed assets, where payments were not hedged against foreign exchange risk. After considering these additional planned future payments in foreign currencies, as at 31 December 2019, the Company had approx. 63% of its foreign exchange risk hedged.

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

Foreign currency risk – sensitivity to changes

In order to analyse the sensitivity to fluctuations in exchange rates, on the basis of historical changes in values and the Company's knowledge of and experience in the financial markets, the „feasibly possible" fluctuations in exchange rates were assessed at -10% / +10% as at 31 December 2019 and as at 31 December 2018.

The table below shows sensitivity of the net result to reasonably possible changes in foreign currency rates with other factors remaining unchanged (the impact on net assets is identical).

	Nominal value at the reporting date	Sensitivity to fluctuations as at 31 December 2019	
		Depreciation	Appreciation
		of Polish zloty against other currencies	
		+10%	-10%
Forward contracts			
– EUR	23 911	6 245	(6 245)
– CZK	42 722	713	(713)
Financial instruments denominated in foreign currencies – net currency exposure:			
– EUR	23 137	9 853	(9 853)
– USD	(47)	(18)	18
Gross effect on the result for the period and net assets		**16 793**	**(16 793)**
Deferred tax		(3 191)	3 191
Total		**13 602**	**(13 602)**

	Nominal value at the reporting date	Sensitivity to fluctuations as at 31 December 2018	
		Depreciation	Appreciation
		of Polish zloty against other currencies	
		+10%	-10%
Forward contracts			
– EUR	36 430	(7 201)	7 201
– USD	335	125	(125)
– CZK	114 300	1 898	(1 898)
Financial instruments denominated in foreign currencies – net currency exposure:			
– EUR	9 857	4 239	(4 239)
– USD	(181)	(68)	68
– GBP	(4)	-	-
– CZK	7	-	-
Gross effect on the result for the period and net assets		**(1 007)**	**1 007**
Deferred tax		191	(191)
Total		**(816)**	**816**

Interest rate risk

Interest rate risk occurs mainly due to the use by the Company of lease contracts. Lease contracts concluded by the Company are based on variable interest rates and expose the Company to cash flows fluctuations. The interest rate risk relating to current debt was assessed as relatively low from the perspective of its impact on the Company's results. At present, interest rate risk management covers both ongoing monitoring of market situation and debt levels, and hedging against the risk of fluctuations of market interest rates by way of entering into interest rate swap (IRS) transactions (floating rates to fixed rates).

Interest rate risk – sensitivity to changes

In order to analyse the sensitivity to fluctuations in interest rates, on the basis of historical changes in values and the Company's knowledge of and experience in the financial markets, "reasonably possible" fluctuations in interest rates were assessed at -0.25 p.p./ +0.25 p.p. as at 31 December 2019 (at the same level as at as at 31 December 2018) for PLN, at -0.25 p.p./ +0.25 p.p. as at 31 December 2019 (at the same level as at as at 31 December 2018) for EUR, and at -0.25 p.p./ +0.25 p.p. as at

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

31 December 2019 (at -0.5 p.p./ +0.5 p.p. as at as at 31 December 2018) for USD, and as at -0.25 p.p./ +0.25 p.p. as at 31 December 2019 (as at -0.5 / +0.5 p.p.as at 31 December 2018) for CZK.

At the same time, a parallel shift was assumed of interest rate curve to calculate discount sensitivity to interest rates fluctuations.

Presented below is the effect of interest rate fluctuations on the net result and on net assets as at 31 December 2019 and 31 December 2018 :

	Nominal value at the reporting date	Sensitivity to fluctuations as at 31 December 2019	
		+25 bp (PLN)/(EUR) (USD)/(CZK)	**-25 bp (PLN)(EUR) (USD)/(CZK)**
Loans granted (principal)	1 720	4	(4)
Cash at bank (fair value)	1 182 642	2 957	(2 957)
Lease liabilities (present value)	(160 464)	(401)	401
Gross effect on net result for the period and on net assets		**2 560**	**(2 560)**
Deferred tax		(486)	486
Total		**2 074**	**(2 074)**

	Nominal value at the reporting date	Sensitivity to fluctuations as at 31 December 2018	
		+25 bp (PLN)/(EUR) +50 bp (USD)/(CZK)	**-25 bp (PLN)(EUR) -50 bp (USD)/(CZK)**
Loans granted (principal)	88 465	221	(221)
Cash at bank (fair value)	1 159 580	2 899	(2 899)
Bank loans and borrowings (principal)	(9 015)	(23)	23
Finance lease liabilities (present value) - IAS 17	(121 234)	(303)	303
Gross effect on net result for the period and on net assets		**2 794**	**(2 794)**
Deferred tax		(531)	531
Total		**2 263**	**(2 263)**

In the assessment of sensitivity to interest rates fluctuations, cash on hand was disregarded.

Valuation of forward contracts does not show sensitivity to parallel fluctuations in interest rates with the exchange rates remaining unchanged.

Price risk

The Company is exposed to the price risk relating to increases in prices of the most popular construction materials such as steel products, being among others, reinforcing bars, rails and other steel goods, aggregates, concrete or crude oil derivatives such as petrol, diesel oil, asphalts or fuel oil. The price risk regarding materials purchased on the domestic market is estimated as moderate, while the price risk related to crude oil derivatives and steel goods is assessed as high. Increases in prices of construction materials and labour costs may, in turn, translate into higher prices of services rendered by Company's subcontractors. The prices set forth in investor contracts remain fixed over the entire period of contract execution i.e. most often for the period of 6 – 36 months, while subcontractor contracts are made at a later date, as work on individual contract progresses. The highest risk of raw material price volatility (increases) exists in the case of public procurements due to the relatively long process of general contractor selection. This pertains to the period from bid placing to general contractor selection and contract signing, during which further commitments not always can be made, and prices - secured.

In order to limit the incurred price risk, the Company conducts ongoing monitoring of prices of the most popular construction materials, and the construction contracts signed specify the parameters relating, among others, to contract duration and value, that exactly match market situation. The Central Procurement Department operating at the Company negotiates framework agreements with the suppliers of basic construction materials, based on the construction works planned.

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

Credit risk

As far as cash and capital transactions are concerned, the Company cooperates with financial institutions of high financial standing without incurring material credit risk concentration. At the same time, the Company applies the policy of limiting credit exposure to individual financial institutions and issuers of debt securities, which are acquired as investments for periodic cash surpluses.

The financial assets of the Company exposed to increased credit risk are trade receivables.

The Company operates the policy of assessment and verification of credit risk based on the quantitative-qualitative models using the publicly available information and ratings of external rating agencies, with particular emphasis placed on the assessment of credit risk of private investors both at the stage of tender proceedings and regularly, on a monthly basis, during contracts execution, based on the analysis of contractor terms and conditions and current receivables servicing.

Prior to contract signing, each business partner is assessed for the capacity to discharge his financial liabilities, after considering the specific character of each contract. Signing contracts with parties with negative payment capacity assessment depends on establishing adequate financial or property collateral/ security. In addition, clauses are included in investor contracts that provide for the right to discontinue any work and/or rescind the contract if payments for the services already performed are defaulted. In addition, pursuant to the provisions of article 649 of the Civil Code, the contractor is entitled, at each stage of contract works, to demand guarantee for the payment for both the work already performed and for the work remaining to contract completion.

No significant credit risk concentration has been identified at the Company, while taking into account the fact that its main customer is a government agency *(urząd administracji rządowej).* The Company is not exposed to significant credit risk to one business partner or a group of business partners with similar features. Credit risk relating to liquid assets and derivative financial instruments is limited as the Company's business partners are banks with high credit ratings awarded by reputable international rating agencies.

Except for the data presented in note 46, the value of financial assets recognised in the statement of financial position, before losses, reflects the maximum credit risk exposure of the Company, without accounting for the collaterals and securities.

Liquidity risk

In order to limit the risk of loss of liquidity, the Company holds appropriate amounts of cash and marketable securities, and enters into credit facilities contracts which serve as an additional security against loss of liquidity. To finance its investment purchases, the Company uses own funds or long-term lease contracts that ensure appropriate stability of financing structure for this type of assets. Liquidity management is supported by the obligatory system of liquidity forecasts reporting by the Company.

The maturity structure of liabilities under loans, borrowings and other external sources of finance has been presented in note 21. The maturity structure of other financial liabilities is presented in the respective notes.

Good financial position of the Company as regards its liquidity and availability of external sources of finance does not pose any threat to financing its business operations.

9. Capital management

The main objective of capital management at the Company is to keep good credit rating and safe financial covenants that would support operating business of the Company and increase its value to the shareholders.

The Company manages its capital structure and modifies it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Company may return equity to the shareholders, issue new shares or pay out dividend. In 2019 and 2018, no changes were made to the objectives and policies binding in this area.

The Company monitors the level of equity using the gearing ratio which is calculated as the ratio of net debt to total shareholders' equity increased by net debt. Net debt includes interest-bearing loans and borrowings and other external sources of finance, trade and other payables (except for accrued expenses), retentions for construction contracts, valuation of construction contracts, provision for losses on construction contracts, deferred income (except for other accrued income) and current tax liabilities decreased by cash and cash equivalents.

	31 December 2019	**31 December 2018**
Interest-bearing loans and borrowings and other external sources of finance	160 464	130 253
Trade and other payables	3 329 935	2 928 998
Less: Cash and cash equivalents	(1 182 654)	(1 159 595)
Less: Short-term securities	(119 721)	-
Net debt	**2 188 024**	**1 899 656**
Equity	678 401	606 574
Equity and net debt	**2 866 425**	**2 506 230**
Gearing ratio	**76.33%**	**75.80%**

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

10. Property, plant and equipment

	Land & perpetual usufruct to land		Buildings& constructions		Plant & machinery		Means of transport		Other [tangible] fixed assets		Construction in progress	Prepaym. for construct. in progress	Total
	freehold	leased	own	leased	own	leased	own	leased	own	leased			
Gross value as at 1 January 2019	**2 876**	**-**	**12 070**	**-**	**136 823**	**152 510**	**19 028**	**23 382**	**41 686**	**271**	**820**	**-**	**389 466**
Increases:	**-**	**7 288**	**5 485**	**39 222**	**10 061**	**10 181**	**2 315**	**36 565**	**4 087**	**-**	**1 098**	**89**	**116 391**
- first-time application of IFRS 16 (note 4)	-	5 792	-	4 345	-	222	-	19 547	-	-	-	-	29 906
- purchase	-	-	5 480	-	9 917	-	2 315	-	3 994	-	1 326	-	23 032
- acceptance for use under lease contracts	-	1 496	-	34 877	-	9 959	-	17 018	-	-	-	-	63 350
- transfer from construction in progress	-	-	-	-	141	-	-	-	87	-	(228)	-	-
- prepayments received	-	-	-	-	-	-	-	-	-	-	-	89	89
- other	-	-	5	-	3	-	-	-	6	-	-	-	14
Decreases:	**-**	**(441)**	**(3 641)**	**(169)**	**(11 662)**	**(5 425)**	**(782)**	**(2 113)**	**(3 739)**	**-**	**(199)**	**-**	**(28 171)**
- sale	-	-	(560)	-	(7 404)	-	(782)	-	(315)	-	-	-	(9 061)
- liquidation	-	(441)	(3 081)	(169)	(4 258)	(1 356)	-	(156)	(3 410)	-	(199)	-	(13 070)
- re-purchase of leased assets	-	-	-	-	-	(4 067)	-	(1 957)	-	-	-	-	(6 024)
- foreign exchange differences	-	-	-	-	-	-	-	-	(14)	-	-	-	(14)
- other	-	-	-	-	-	(2)	-	-	-	-	-	-	(2)
Gross value as at 31 December 2019	**2 876**	**6 847**	**13 914**	**39 053**	**135 222**	**157 266**	**20 561**	**57 834**	**42 034**	**271**	**1 719**	**89**	**477 686**
Accumulated depreciation as at 1 January 2019	**-**	**-**	**(8 385)**	**-**	**(121 322)**	**(44 020)**	**(13 608)**	**(3 233)**	**(27 757)**	**(117)**	**-**	**-**	**(218 442)**
Movements for the period:	**-**	**(2 065)**	**2 302**	**(5 378)**	**688**	**(23 277)**	**(2 173)**	**(13 303)**	**(2 662)**	**(90)**	**-**	**-**	**(45 958)**
- charge for the period (note 31)	-	(2 208)	(1 132)	(5 467)	(7 963)	(26 894)	(1 415)	(14 908)	(6 250)	(90)	-	-	(66 327)
- sale	-	-	406	-	7 332	-	782	-	304	-	-	-	8 824
- liquidation	-	143	3 033	89	4 142	798	-	66	3 277	-	-	-	11 548
- re-purchase of leased assets	-	-	-	-	(2 824)	2 824	(1 539)	1 539	-	-	-	-	-
- foreign exchange differences	-	-	-	-	1	-	-	-	10	-	-	-	11
- other	-	-	(5)	-	-	(5)	(1)	-	(3)	-	-	-	(14)
Accumulated depreciation as at 31 Dec 2019	**-**	**(2 065)**	**(6 083)**	**(5 378)**	**(120 634)**	**(67 297)**	**(15 781)**	**(16 536)**	**(30 419)**	**(207)**	**-**	**-**	**(264 400)**
Impairment write-downs as at 1 January 2019	**(1 677)**	**-**	**-**	**-**	**(187)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1 864)**
- increases	-	-	-	-	-	-	-	-	-	-	-	-	-
- decreases	-	-	-	-	187	-	-	-	-	-	-	-	187
Impairment write-downs as at 31 Dec 2019	**(1 677)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1 677)**
Net value as at 1 January 2019	**1 199**	**-**	**3 685**	**-**	**15 314**	**108 490**	**5 420**	**20 149**	**13 929**	**154**	**820**	**-**	**169 160**
Net value as at 31 December 2019	**1 199**	**4 782**	**7 831**	**33 675**	**14 588**	**89 969**	**4 780**	**41 298**	**11 615**	**64**	**1 719**	**89**	**211 609**

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

	Land & perpetual usufruct right to land	Buildings & constructions	Plant & machinery	Means of transport	Other [tangible] fixed assets	Construction in progress	Total
Gross value as at 1 January 2018	**2 876**	**12 019**	**227 264**	**24 875**	**37 232**	**448**	**304 714**
Increases:	**-**	**59**	**69 007**	**19 294**	**5 423**	**372**	**94 155**
- purchase (incl. acceptance for use under lease contracts)	-	59	68 912	19 279	5 159	704	94 113
- transfer from construction in progress	-	-	90	15	227	(332)	-
- other	-	-	5	-	37	-	42
Decreases:	**-**	**(8)**	**(6 938)**	**(1 759)**	**(698)**	**-**	**(9 403)**
- sale	-	-	(5 322)	(1 729)	(10)	-	(7 061)
- liquidation	-	(8)	(1 616)	(30)	(688)	-	(2 342)
Gross value as at 31 December 2018	**2 876**	**12 070**	**289 333**	**42 410**	**41 957**	**820**	**389 466**
Accumulated depreciation as at 1 January 2018	**-**	**(7 391)**	**(142 729)**	**(14 939)**	**(22 457)**	**-**	**(187 516)**
Movements for the period:	**-**	**(994)**	**(22 613)**	**(1 902)**	**(5 417)**	**-**	**(30 926)**
- charge for the period (note 31)	-	(1 002)	(29 507)	(3 662)	(6 067)	-	(40 238)
- sale	-	-	5 304	1 729	10	-	7 043
- liquidation	-	8	1 594	30	666	-	2 298
- other	-	-	(4)	1	(26)	-	(29)
Accumulated depreciation as at 31 December 2018	**-**	**(8 385)**	**(165 342)**	**(16 841)**	**(27 874)**	**-**	**(218 442)**
Impairment write-downs as at 1 January 2018	**(1 677)**	**-**	**-**	**-**	**-**	**-**	**(1 677)**
- increases	-	-	(187)	-	-	-	(187)
- decreases	-	-	-	-	-	-	-
Impairment write-downs as at 31 December 2018	**(1 677)**	**-**	**(187)**	**-**	**-**	**-**	**(1 864)**
Net value as at 1 January 2018	**1 199**	**4 628**	**84 535**	**9 936**	**14 775**	**448**	**115 521**
Net value as at 31 December 2018	**1 199**	**3 685**	**123 804**	**25 569**	**14 083**	**820**	**169 160**

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

Depreciation of property, plant and equipment was recognised under the following items of profit and loss account:

	2019	2018
Cost of finished goods and services sold	62 858	38 709
Administrative expenses	3 393	1 450
Other costs	76	79
Total (note 31)	**66 327**	**40 238**

As at 31 December 2019 and 31 December 2018, there were no collaterals established on property, plant and equipment.

In the years 2018-2019, the Company did not receive any compensations with regard to these fixed assets that were impaired or lost.

As at 31 December 2018, the Company as lessee used under finance lease agreements (within the then current meaning of IAS 17) the following tangible fixed assets:

	31 December 2018	
	Initial cost – capitalised finance lease	**Net carrying amount**
Plant and machinery	152 510	108 490
Means of transport	23 382	20 149
Other [tangible] fixed assets	271	154
Total	**176 163**	**128 793**

11. Investment property

	Leased land (incl. right of perpetual usufruct)	Buildings & constructions	Other	Total
Value as at 1 January 2019	**-**	**3 036**	**142**	**3 178**
Increases:	**559**	**-**	**-**	**559**
- first-time application of IFRS 16 (note 4)	559	-	-	559
Decreases:	**(559)**	**(3 036)**	**(142)**	**(3 737)**
- charge for the period (note 31)	(2)	(41)	(2)	**(45)**
- sale	(557)	(2 995)	(140)	**(3 692)**
Value as at 31 December 2019	**-**	**-**	**-**	**-**

	Buildings & constructions	Other	Total
Value as at 1 January 2018	**3 159**	**147**	**3 306**
Increases:	**-**	**-**	**-**
Decreases:	**(123)**	**(5)**	**(128)**
- Charge for the period (note 31)	(123)	(5)	**(128)**
Value as at 31 December 2018	**3 036**	**142**	**3 178**

On 24 April 2019, Budimex SA sold the only owned investment property located at ul. Ujastek in Cracow to an associate, i.e. Promos Sp. z o.o., for the net amount of PLN 6 300 thousand (the property was partially used as a fixed asset, so the inflow from sale of this investment property was PLN 5 323 thousand). Thereby, as at 31 December 2019, the Company did not have any investment property.

As at 31 December 2018, the Company did not report any liens or encumbrances *(obciążenia o charakterze prawnorzeczowym)* or encumbrances obligating to perform a legal act *(obciążenia obligacyjne)* established on its investment property.

Depreciation of investment property for the years 2019 and 2018 was recognised in the profit and loss account under cost of finished goods and services sold.

In the years 2018-2019, no impairment write-downs were recognised against the investment property.

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

As at 31 December 2018, the Company did not commission any appraisals of investment property by independent appraisers due to insignificant market price fluctuations and thus rather unlikely impairment of the investment property held. Fair value measurement of this property was classified as Level 2 of the fair value hierarchy under IFRS 13.

The Company recognised in the profit and loss the following balances of investment property-related income and expense:

	2019	2018
Rental charge income	210	756
Direct operating expenses (incl. repair and maintenance costs) relating to investment property that generated rental income	391	128
Direct operating expenses (incl. repair and maintenance costs) relating to investment property that *did not* generate rental income	-	-

12. Non-current assets held for sale

As at 31 December 2019 and 31 December 2018, there were no material non-current assets that the Company intended to sale within the following 12 months.

13. Intangible assets

	Computer software	Prepayments for intangible assets	Total
Gross value as at 1 January 2019	**57 844**	**-**	**57 844**
Increases	**6 044**	**3 036**	**9 080**
- purchase	4 308	-	4 308
- transfer of advance payments	-	2 017	2 017
- settlement of advance payments	1 736	(1 736)	-
- transfer from receivables	-	2 755	2 755
Decreases	**(218)**	**-**	**(218)**
- liquidation	(202)	-	(202)
- foreign exchange differences	(16)	-	(16)
Gross value as at 31 December 2019	**63 670**	**3 036**	**66 706**
Accumulated amortization as at 1 January 2019	**(29 741)**	**-**	**(29 741)**
Movements for the period	(4 591)	-	(4 591)
- charge for the period (note 31)	(4 793)	-	(4 793)
- liquidation	199	-	199
- foreign exchange differences	3	-	3
Accumulated amortization as at 31 December 2019	**(34 332)**	**-**	**(34 332)**
Net value as at 1 January 2019	**28 103**	**-**	**28 103**
Net value as at 31 December 2019	**29 338**	**3 036**	**32 374**

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

	Computer software	Total
Gross value as at 1 January 2018	**54 635**	**54 635**
Increases:	**3 304**	**3 304**
- purchase	3 021	3 021
- settlement of advance payments	275	275
- foreign exchange differences	8	8
Decreases	**(95)**	**(95)**
- liquidation	(95)	(95)
Gross value as at 31 December 2018	**57 844**	**57 844**
Accumulated amortization as at 1 January 2018	**(24 698)**	**(24 698)**
Movements for the period	(5 043)	(5 043)
- charge for the period (note 31)	(5 133)	(5 133)
- liquidation	95	95
- other	(5)	(5)
Accumulated amortization as at 31 December 2018	**(29 741)**	**(29 741)**
Net value as at 1 January 2018	**29 937**	**29 937**
Net value as at 31 December 2018	**28 103**	**28 103**

Amortisation of intangible assets was recognised under the following items of the profit and loss account:

	2019	2018
Cost of finished goods and services sold	324	546
Administrative expenses	4 398	4 547
Other costs	71	40
Total (note31)	**4 793**	**5 133**

The Company did not report any material intangible assets developed internally.

As at 31 December 2019 and 31 December 2018, the Company reported no liens or encumbrances *(obciążenia o charakterze prawnorzeczowym)* or encumbrances obligating to perform a legal act *(obciążenia obligacyjne)* established on its intangible assets. No impairment write-downs against intangible assets were made in the year 2019 or 2018.

14. Joint operations

The financial data of Budimex SA as at 31 December 2019 and 31 December 2018 contain balances attributable to the Company due to its share in the following entities which are under common control and which in accordance with IFRS 11 are treated as joint operations (the share of the Company in joint arrangements is recognised as joint operations where the Company has right to its share in the assets and obligations for the liabilities relating to the arrangement):

- Extension of the airfield in the Warsaw Chopin Airport – reconstruction and redevelopment of PSS 2, PPS 4, PPS 6 (together with DK D1) and reconstruction of the runway and redevelopment of taxiway *(„Rozbudowa pola wzlotów w Porcie Lotniczym im. Fryderyka Chopina – przebudowa i rozbudowa PSS 2, PPS 4, PPS 6 (wraz z DK D1) oraz przebudowa drogi startowej i rozbudowa drogi kołowania”),* realised as part of the Budimex SA - Budimex Construction Sp. z o.o. s.c. civil-law partnership; the share of Budimex SA was 99.98% (contract completed in 2015) – operations of this civil-law partnership were terminated in 2019,
- Construction and modernization of a sewage treatment plant in Gorzów Wielkopolski *(„Budowa i modernizacja oczyszczalni ścieków w Gorzowie Wielkopolskim”),* realised as part of the Budimex SA – Cadagua SA II s.c. civil-law partnership; the share of Budimex SA in this partnership is 99.9% (contract completed in 2015),
- Reconstruction and modernization of the DS-1 runway, taxiways, patrol and fire paths in the Warsaw Chopin Airport *(„Przebudowa i modernizacja drogi startowej DS-1, dróg kołowania, drogi patrolowej i drogi p. poż. w Porcie lotniczym im. Fryderyka Chopina w Warszawie”),* realised as part of the Budimex SA - Ferrovial Agroman SA s.c. civil-law partnership; the share of Budimex SA in this partnership is 99.98% (contract completed in 2011),
- Construction of the headquarters of Transmission System Operator *(„Budowa siedziby Operatora Systemu Przesyłowego”),* realised as part of the Budimex SA Sygnity SA Sp.j. general partnership; the share Budimex SA in this general partnership is 67% (contract completed in 2009)

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

- 1st phase of the contract called Design and construction of the A-1 motorway on the section Stryków-Pyrzowice *(„I faza kontraktu „Projekt i budowa Autostrady A-1 na odcinku Stryków – Pyrzowice")* realised as part of the Budimex SA Ferrovial Agroman SA Sp.j. general partnership; the share of Budimex SA in this project is 50% (note 48),
- Construction of a new power unit in Elektrownia Turów *(„Budowa nowego bloku energetycznego w Elektrowni Turów")* as part of the Budimex SA – Técnicas Reunidas SA – Turów s.c. civil-law partnership; the share of Budimex SA in this project is 50%,
- Modernization of the preliminary ozonation system at Zakład Północny MPWiK *(„Modernizacja instalacji ozonowania wstępnego w Zakładzie Północnym MPWiK")* as part of the Budimex SA – Cadagua SA III s.c. civil-law partnership; the share of Budimex SA in this project was 99.9% (contract completed in 2018),
- Modernization of Zakład Pónocny – phase 2. Modernization of rapid sand filters *(„Modernizacja Zakładu Północnego - etap II. Modernizacja filtrów pośpiesznych piaskowych")* realised as part of the Budimex SA – Cadagua SA IV s.c. civil-law partnership; the share of Budimex SA in this project is 99.9%,
- Modernization of Zakład Pónocny – phase 2. Modernization of pumping station I and II *(„Modernizacja Zakładu Północnego - etap II. Modernizacja pompowni I i II stopnia")* realised as part of the Budimex SA – Cadagua SA V s.c. civil-law partnership; the share of Budimex SA in this project is 99.9%.

The above entities are under common control as unanimity of all partners is required in the matters concerning their business.

There are no future investment commitments under these contracts.

In addition, the Company had 50% share in Budimex SA Energetyka 3 Sp.j. and 95% in Budimex SA Ferrovial Agroman SA 2 s.c., which were established to prepare tender proposals, conclude and execute construction contracts; however, at the date of the preparation of these financial statements, none of the above entities was in the process of construction contract realization. For this reason, on 13 August 2019 the shareholders of Budimex SA Energetyka 1 Sp. j. and Budimex SA Energetyka 2 Sp.j. resolved to liquidate those companies without carrying out winding-up proceedings. Budimex SA Energetyka 1 Sp.j. was removed from the National Court register on 25 September 2019, while Budimex SA Energetyka 2 Sp.j. – on 9 October 2019.

15. Investments in subsidiaries, associates and other entities

	31 December 2019	31 December 2018
Investments in subsidiaries	**1 042 194**	**690 544**
- shares	1 042 194	690 544
Investments in associates	**191**	**61 246**
- shares	191	61 246
Investments in other entities	**4 385**	**6 417**
- shares in other affiliates (related entities)	4 292	4 292
- shares in other entities	93	2 125
Total	**1 046 770**	**758 207**

Shares in subsidiaries, associates and other entities are recognised at historical cost reduced by impairment write-downs, except for shares in other non-related entities, which in accordance with IFRS 9 were classified as financial assets measured at fair value through profit or loss (FVPL). Due to the fact that determining fair value of these assets is not possible (they are not listed), it was assumed that the most reasonable value for their disclosure is book value.

As at 31 December 2019 and 31 December 2018, the Company reported no liens or encumbrances *(obciążenia o charakterze prawnorzeczowym)* or encumbrances obligating to perform a legal act *(obciążenia obligacyjne)* established on its investments in subsidiaries, associates or other entities.

Movements in the balance of investments in subsidiaries, associates or other entities

Shares	31 December 2019	31 December 2018
Balance at the beginning of the period	**758 207**	**795 490**
Increases:	**290 595**	**7 060**
- purchase / capital increase / contribution to newly established entities	235 682	7 060
- reversal of impairment write-downs (note 34)	54 913	-
Decreases:	**(2 032)**	**(44 343)**
- disposal of shares	(2 032)	(43 661)
- impairment write-down (loss of value) (note 34)	-	(682)
Total	**1 046 770**	**758 207**

The balance of impairment write-downs against shares as at 31 December 2019 amounted to PLN 19 709 thousand, while as at 31 December 2018 - PLN 77 058 thousand.

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

Due to the fact that the conditions for keeping the 2013-created impairment write-down against shares in Budimex Nieruchomości Sp. z o.o. (in the amount of PLN 54 913 thousand) ceased to exist, in 2019 a decision was made to reverse this write-down. The main reasons for write-down reversal were completion of underlying development projects with lower profitability and favourable outlook for the current projects.

In 2019, liquidation of Budimex Autostrada SA was recorded in the National Court Register and thus the 2018-created impairment write-down of PLN 682 thousand was utilized.

Due to the disposal of shares in Autostrada Wielkopolska SA (more information below), the impairment write-down of PLN 1 754 thousand was also utilized.

Purchase of shares in subsidiaries/ issued capital increase

On 3 July 2019, Budimex SA concluded with Ferrovial Services International SE a contract transferring ownership of 89 760 shares in FBSerwis SA, representing 51% of shares in the issued capital of FBSerwis with a nominal value of PLN 500.00 per share, giving right to 89 760 votes at the General Meeting i.e. 51% votes at said meeting for the price of PLN 98 500 thousand. Following this transaction, Budimex SA holds currently all shares in FBSerwis SA, representing in total a 100% share in the issued capital of FBSerwis SA and giving right to 100% votes at the General Meeting of FBSerwis. FBSerwis SA became a subsidiary company (until the date of control assumption, it was an associate). Thereby, the balance of the line item „Investment in subsidiaries" increased, while the balance of the line item „Investments in associates" – appropriately decreased. The civil law transaction tax on this transaction amounted to PLN 985 thousand.

In addition, in December 2019 an increase was made of the issued capital of FBSerwis SA by PLN 136 127 thousand. Increase was also recorded in the issued capital of Budimex Most Wschodni SA by the amount of PLN 70 thousand.

Disposal of shares in other non-related (non-equity accounted) entities

On 7 November 2019, Budimex SA sold shares in Autostrada Wielkopolska SA for the amount of EUR 400 thousand (PLN 1 708 thousand), thus realizing a loss on sale in the amount of PLN 324 thousand.

Shares in other non-related entities

Entity name	Registered office	Business activity	Carrying amount of shares
Drogowa Trasa Średnicowa SA	Katowice	Construction	52
Agencja Rozwoju Regionu Krakowskiego SA	Cracow	Services	30
Agencja Rozwoju Regionalnego SA	Bielsko-Biała	Services	6
Megagaz SA	Warsaw	Construction	1
Górnicza Spółdzielnia Mieszkaniowa	Cieszyn	Property management	-
Other	-	-	4
Total			**93**

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

SHARES IN AFFILIATES as at 31 December 2019

Entity name	Registered office	Business activity	Type of equity relation	Value of shares at acquisition cost	Impairment adjustment (total)	Carrying amount of shares	Percentage of issued capital held	Share in total number of votes at general meeting
Budimex Nieruchomości Sp. z o.o.	Warsaw	development business	subsidiary	717 519	-	717 519	100.00%	100.00%
Budimex Kolejnictwo SA	Warsaw	construction	subsidiary	14 001	(5 054)	8 947	100.00%	100.00%
Mostostal Kraków SA	Cracow	production and assembly of steel structures	subsidiary	11 156	-	11 156	100.00%	100.00%
Budimex PPP SA	Warsaw	construction	subsidiary	1 395	-	1 395	100.00%	100.00%
Budimex Budownictwo Sp. z o.o.	Warsaw	construction	subsidiary	1 810	-	1 810	100.00%	100.00%
FBSerwis SA	Warsaw	municipal waste management	subsidiary	296 667	-	296 667	100.00%	100.00%
Budimex Most Wschodni SA	Warsaw	construction	subsidiary	412	-	412	100.00%	100.00%
Budimex A Sp. z o.o.	Warsaw	construction	subsidiary	225	-	225	100.00%	100.00%
Budimex C Sp. z o.o.	Warsaw	construction	subsidiary	228	-	228	100.00%	100.00%
Budimex D Sp. z o.o	Warsaw	construction	subsidiary	227	-	227	100.00%	100.00%
Budimex F Sp. z o.o	Warsaw	construction	subsidiary	177	-	177	100.00%	100.00%
Budimex H Sp. z o.o	Warsaw	construction	subsidiary	126	-	126	100.00%	100.00%
Budimex I Sp. z o.o.	Warsaw	construction	subsidiary	126	-	126	100.00%	100.00%
Budimex J Sp. z o.o.	Warsaw	construction	subsidiary	76	-	76	100.00%	100.00%
Budimex K Sp. z o.o	Warsaw	construction	subsidiary	50	-	50	100.00%	100.00%
Budimex L Sp. z o.o.	Warsaw	construction	subsidiary	50	-	50	100.00%	100.00%
Budimex Bau GmbH	Koln	construction	subsidiary	120	-	120	100.00%	100.00%
MK Logistic Sp. z o.o. (in liquidation)	Zabrze	transport services	subsidiary	26	(26)	-	100.00%	100.00%
Dromex Oil Sp. z o.o. (in liquidation)	Warsaw	construction	subsidiary	2 175	(2 175)	-	97.93%	97.93%
Budimex Parking Wrocław Sp. z o.o.	Warsaw	car park management	subsidiary	2 883	-	2 883	51.00%	51.00%
Total subsidiaries				**1 049 449**	**(7 255)**	**1 042 194**		
Promos Sp. z o.o.	Cracow	industrial services	associate	191	-	191	26.31%	26.31%
Total associates				**191**	**-**	**191**		
Budimex SA Ferrovial Agroman SA s.c.	Warsaw	construction	jointly controlled	-	-	-	99.98%	99.98%
Budimex SA Cadagua SA II s.c.	Warsaw	construction	jointly controlled	-	-	-	99.90%	99.90%
Budimex SA Cadagua SA III s.c.	Warsaw	construction	jointly controlled	-	-	-	99.90%	99.90%
Budimex SA Cadagua SA IV s.c.	Warsaw	construction	jointly controlled	-	-	-	99.90%	99.90%
Budimex SA Cadagua SA V s.c.	Warsaw	construction	jointly controlled	-	-	-	99.90%	99.90%
Budimex SA Ferrovial Agroman SA 2 s.c.	Warsaw	construction	jointly controlled	-	-	-	95.00%	95.00%
Budimex SA Sygnity SA Sp. j.	Warsaw	construction	jointly controlled	-	-	-	67.00%	67.00%
PKZ Budimex GmbH	Koln	construction	jointly controlled	50	(50)	-	50.00%	50.00%
Budimex SA Ferrovial Agroman S.A. Sp. j.	Warsaw	construction	jointly controlled	-	-	-	50.00%	50.00%
Budimex S.A. Tecnicas Reunidas S.A. - Turów s.c.	Warsaw	construction	jointly controlled	-	-	-	50.00%	50.00%
Budimex SA Energetyka 3 Sp. j.	Warsaw	construction	jointly controlled	-	-	-	50.00%	50.00%
Total jointly controlled				**50**	**(50)**	**-**		
Autostrada Południe SA	Warsaw	construction and operation of motorways	other related	4 292	-	4 292	5.05%	5.05%
Inversora de Autopistas del Levante S.L.	Madrid	construction and operation of motorways	other related	12 404	(12 404)	-	3.16%	3.16%
Total other related entities				**16 696**	**(12 404)**	**4 292**		
Total				**1 066 386**	**(19 709)**	**1 046 677**		

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

SHARES IN AFFILIATES as at 31 December 2018

Entity name	Registered office	Business activity	Type of equity relation	Value of shares at acquisition cost	Impairment adjustment (total)	Carrying amount of shares	Percentage of issued capital held	Share in total number of votes at general meeting
Budimex Nieruchomości Sp. z o.o.	Warsaw	development business	subsidiary	717 519	(54 913)	662 606	100.00%	100.00%
Budimex Kolejnictwo SA	Warsaw	construction	subsidiary	14 001	(5 054)	8 947	100.00%	100.00%
Mostostal Kraków SA	Cracow	production and assembly of steel structures	subsidiary	11 156	-	11 156	100.00%	100.00%
Budimex PPP SA	Warsaw	construction	subsidiary	1 395	-	1 395	100.00%	100.00%
Budimex Budownictwo Sp. z o.o.	Warsaw	construction	subsidiary	1 810	-	1 810	100.00%	100.00%
Budimex Autostrada SA (in liquidation)	Warsaw	construction	subsidiary	682	(682)	-	100.00%	100.00%
Budimex Most Wschodni SA	Warsaw	construction	subsidiary	342	-	342	100.00%	100.00%
Budimex A Sp. z o.o.	Warsaw	construction	subsidiary	225	-	225	100.00%	100.00%
Budimex C Sp. z o.o.	Warsaw	construction	subsidiary	228	-	228	100.00%	100.00%
Budimex D Sp. z o.o	Warsaw	construction	subsidiary	227	-	227	100.00%	100.00%
Budimex F Sp. z o.o	Warsaw	construction	subsidiary	177	-	177	100.00%	100.00%
Budimex H Sp. z o.o	Warsaw	construction	subsidiary	126	-	126	100.00%	100.00%
Budimex I Sp. z o.o.	Warsaw	construction	subsidiary	126	-	126	100.00%	100.00%
Budimex J Sp. z o.o.	Warsaw	construction	subsidiary	76	-	76	100.00%	100.00%
Budimex K Sp. z o.o	Warsaw	construction	subsidiary	50	-	50	100.00%	100.00%
Budimex L Sp. z o.o.	Warsaw	construction	subsidiary	50	-	50	100.00%	100.00%
Budimex Bau GmbH	Koln	construction	subsidiary	120	-	120	100.00%	100.00%
MK Logistic Sp. z o.o. (in liquidation)	Zabrze	transport services	subsidiary	26	(26)	-	100.00%	100.00%
Dromex Oil Sp. z o.o. (in liquidation)	Warsaw	construction	subsidiary	2 175	(2 175)	-	97.93%	97.93%
Budimex Parking Wrocław Sp. z o.o.	Warsaw	car park management	subsidiary	2 883	-	2 883	51.00%	51.00%
Total subsidiaries				**753 394**	**(62 850)**	**690 544**		
FB Serwis SA	Warsaw	municipal waste management	associate	61 055	-	61 055	49.00%	49.00%
Promos Sp. z o.o.	Cracow	industrial services	associate	191	-	191	26.31%	26.31%
Total associates				**61 246**	**-**	**61 246**		
Budimex SA Ferrovial Agroman SA s.c.	Warsaw	construction	jointly controlled	-	-	-	99.98%	99.98%
Budimex SA Budimex Construction Sp. z o.o. s.c.	Warsaw	construction	jointly controlled	-	-	-	99.98%	99.98%
Budimex SA Cadagua SA II s.c.	Warsaw	construction	jointly controlled	-	-	-	99.90%	99.90%
Budimex SA Cadagua SA III s.c.	Warsaw	construction	jointly controlled	-	-	-	99.90%	99.90%
Budimex SA Cadagua SA IV s.c.	Warsaw	construction	jointly controlled	-	-	-	99.90%	99.90%
Budimex SA Cadagua SA V s.c.	Warsaw	construction	jointly controlled	-	-	-	99.90%	99.90%
Budimex SA Ferrovial Agroman SA 2 s.c.	Warsaw	construction	jointly controlled	-	-	-	95.00%	95.00%
Budimex SA Sygnity SA Sp. j.	Warsaw	construction	jointly controlled	-	-	-	67.00%	67.00%
PKZ Budimex GmbH	Koln	construction	jointly controlled	50	(50)	-	50.00%	50.00%
Budimex SA Ferrovial Agroman S.A. Sp. j.	Warsaw	construction	jointly controlled	-	-	-	50.00%	50.00%
Budimex S.A. Tecnicas Reunidas S.A. - Turów s.c.	Warsaw	construction	jointly controlled	-	-	-	50.00%	50.00%
Budimex SA Energetyka 1 Sp. j.	Warsaw	construction	jointly controlled	-	-	-	50.00%	50.00%
Budimex SA Energetyka 2 Sp. j.	Warsaw	construction	jointly controlled	-	-	-	50.00%	50.00%
Budimex SA Energetyka 3 Sp. j.	Warsaw	construction	jointly controlled	-	-	-	50.00%	50.00%
Total jointly controlled				**50**	**(50)**	**0**		
Autostrada Południe SA	Warsaw	construction and operation of motorways	other related	4 292	-	4 292	5.05%	5.05%
Inversora de Autopistas del Levante S.L.	Madrid	construction and operation of motorways	other related	12 404	(12 404)	-	3.16%	3.16%
Total other related entities				**16 696**	**(12 404)**	**4 292**		
Total				**831 386**	**(75 304)**	**756 082**		

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

16. Other financial assets/ financial liabilities

		Nota	31 December 2019	31 December 2018
FINANCIAL ASSETS				
Financial assets measured at amortized cost				
Retentions for construction contracts		28	149 763	126 856
Valuation of construction contracts		26	415 362	552 306
Trade and other receivables*		17	870 674	733 306
Other financial assets (loans granted)		16.2	5 369	88 469
Other financial assets (debt instruments)		16.3	119 721	-
Financial assets at fair value through profit or loss (FVPL)				
Cash and cash equivalents	*level 2 of the fair value hierarchy according to IFRS 13*	19	1 182 654	1 159 595
Other financial assets (derivative financial instruments)	*level 2 of the fair value hierarchy according to IFRS 13*	16.1	586	4 455
Investments in other entities *(shares in non-related entities)*	*level 3 of the fair value hierarchy according to IFRS 13*	15	93	2 125
Balance at the end of the period			**2 744 222**	**2 667 112**
FINANCIAL LIABILITIES				
Financial liabilities measured at amortised cost				
Trade and other payables**		22	1 115 538	1 384 995
Retentions for construction contracts		28	420 152	418 884
Loans and borrowings and other external sources of finance		21	160 464	130 253
Liabilities measured at fair value through profit or loss (FVPL)				
Other financial liabilities (derivative financial instruments)	*level 2 of the fair value hierarchy according to IFRS 13*	16.1	978	680
Balance at the end of the period			**1 697 132**	**1 934 812**

*except for the amounts of accrued income, current tax assets, subsidy, customs duty, social security and except for the prepayments
**the amount covers trade payables, un-invoiced costs, payroll, consortia partners settlement, employee bonus and unused annual leave accruals

In the 12-month periods ended 31 December 2019 and 31 December 2018, there were no movements between Level 1 and Level 2 of the fair value hierarchy, and there were no movements from/ to Level 3 of this hierarchy.

Investments in equity instruments classified to Level 3 of the fair value hierarchy are measured at historical cost (see note **15**).

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

Revenues, costs, gains and losses recognised in the profit and loss account, by financial instrument category

For the period from 1 January 2019 to 31 December 2019:

	Financial assets measured at fair value through profit or loss (FVPL) from initial recognition	Financial assets measured at amortized cost	Financial liabilities measured at fair value through profit or loss (FVPL) from initial recognition	Financial liabilities measured at amortized cost	Total
Interest income /(expense) (note 34)	6 657	9 299	-	(1 371)	**14 585**
Foreign exchange gains /(losses) (note 34)	(527)	(1 152)	-	1 850	**171**
Reversal/ (recognition) of impairment write-downs	-	(2 771)	-	-	**(2 771)**
Statute-barred liabilities written-off (note 34)	-	-	-	7 413	**7 413**
Valuation gains/(losses)	(3 629)	755	(538)	106	**(3 306)**
Gains /(losses) on disposal/ realization of financial instruments	3 949	-	(340)	-	**3 609**
Total	**6 450**	**6 131**	**(878)**	**7 998**	**19 701**

For the period from 1 January 2018 to 31 December 2018:

	Financial assets measured at fair value through profit or loss (FVPL) from initial recognition	Financial assets measured at amortized cost	Financial liabilities measured at fair value through profit or loss (FVPL) from initial recognition	Financial liabilities measured at amortized cost	Total
Interest income /(expense) (note 34)	10 103	7 038	-	878	**18 019**
Foreign exchange gains /(losses) (note 34)	1 688	398	-	(2 234)	**(148)**
Reversal/ (recognition) of impairment write-downs	-	(14 649)	-	-	**(14 649)**
Statute-barred liabilities written-off (note 34)	-	-	-	2 759	**2 759**
Valuation gains/(losses)	(5 152)	(1 166)	3 029	2 335	**(954)**
Gains /(losses) on disposal/ realization of financial instruments	5 640	-	(2 968)	-	**2 672**
Total	**12 279**	**(8 379)**	**61**	**3 738**	**7 699**

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

16.1 Derivative financial instruments

The Company concludes transactions involving derivative financial instruments to hedge against the exchange risk. Rules defining the use of derivative financial instruments are included in the Risk Management Policy authorized by the Management Board, as described in more detail in note 8.

Derivative financial instruments (derivatives) are measured at the reporting date at a reliably determined fair value. Fair value of derivatives is estimated using the model based, among others, on currency exchange rates (closing rates) prevailing on the reporting date and on differences in interest rates of the quotation and base currencies.

The effects of periodic valuation of derivatives and gains and losses determined at settlement date are reported, as appropriate, under other operating income or other operating expenses for the period.

The fair value and changes in the valuation of the transactions concluded by the Company and open as at 31 December 2019 and 31 December 2018 are presented in the table below:

	Financial assets arising from derivatives valuation		**Financial liabilities arising from derivatives valuation**	
	31 December 2019	**31 December 2018**	**31 December 2019**	**31 December 2018**
FX forward contracts, of which:	586	4 455	978	680
– up to 1 year	*586*	*4 455*	*781*	*680*
– 1 – 2 years	-	-	*197*	-
Total	**586**	**4 455**	**978**	**680**

The total nominal value of FX forward contracts as at 31 December 2019 was EUR 23 911 thousand and CZK 42 722 thousand.

The total nominal value of FX forward contracts as at 31 December 2018 was EUR 36 430 thousand, USD 335 thousand and CZK 114 300 thousand.

Forward selling/ buying rate for Euro-based transactions open as at 31 December 2019 ranged between EUR/PLN 4.2710-44712 and CZK/PLN 0.16740 (as at 31 December 2018, ranged between EUR/PLN 4.2552-4.7035 , and ranged between CZK/PLN 0.1661-0.1732).

Euro-based forward transactions open as at 31 December 2019 are to be settled within 30 - 664 days (as at 31 December 2018, transaction settlement date ranged between 31 - 346 days).

CZK-based forward transaction open as at 31 December 2019 is to be settled within 30 days (as at 31 December 2018, transaction settlement date ranged between 31 - 241 days).

As at 31 December 2019 the Company *did not* have open USD-based FX forward contracts. Forward selling/ buying rate for USD-based transactions open as at 31 December 2018 ranged between USD/PLN 3.7712 – 3.7880. USD-based forward transactions open as at 31 December 2018 were to be settled within 31 - 150 days.

As at 31 December 2019 and 31 December 2018, the Company *did not* apply hedge accounting.

Gains/ (losses) on derivative financial instruments

The effects of periodic valuation and settlement of FX forward contracts are reported in the profit and loss account as part of the operating activity.

	2019	**2018**
Gains/ (losses) on valuation of FX forward contracts	(4 167)	(2 123)
Gains / (losses) on realisation of FX forward contracts	3 933	2 672
Total gains / (losses) on derivative financial instruments recognised as part of operating activities (note 33)	**(234)**	**549**

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

16.2 Loans granted

Loans granted – long-term	31 December 2019	31 December 2018
Opening balance	**75 869**	**65 834**
Increases:	**1 937**	**15 836**
- loans granted	-	10 780
- accrued interest (note 34)	1 937	4 141
- capitalised interest	-	915
Decreases:	**(75 768)**	**(5 801)**
- loans repayment	(12 722)	-
- loan interest repayment	(1 292)	(3 070)
- reclassification to short-term items	(61 754)	(1 816)
- other	-	(915)
Total	**2 038**	**75 869**

Loans granted – short-term	31 December 2019	1 December 2018
Opening balance	**12 600**	**9 834**
Increases:	**128 430**	**25 567**
- loans granted	62 000	23 300
- accrued interest (note 34)	4 151	451
- reclassification from long-term items	61 754	1 816
- reversal of impairment write-down (note 34)	525	-
Decreases:	**(137 699)**	**(22 801)**
- loans repayment	(136 023)	(21 911)
- loan interest repayment	(1 092)	(890)
- set-off with liabilities	(584)	-
Total	**3 331**	**12 600**

As at 31 December 2019, the balance of long-term loans granted included the following items:

- loan granted to Budimex Parking Wrocław Sp. z o.o. (subsidiary of Budimex SA) based on a loan agreement of 19 December 2012 . As at 31 December 2019, the value of issued loan tranches was PLN 1 677 thousand, while accrued interest amounted to PLN 20 thousand. Loan effective interest rate in 2019 was 4.86%, while in 2018 – 4.87%. Loan maturity date was set at 19 December 2032,
- loan granted to FBSerwis SA (subsidiary of Budimex SA) based on a loan agreement of 4 January 2016 to the amount of PLN 13 720 thousand. On 19 December 2019, loan principal was repaid in full prior to its maturity date. The outstanding interest was PLN 341 thousand. Loan effective interest rate in 2019 was 5.72% (in 2018: 5.72%). Loan maturity date was set at 4 January 2021.

As at 31 December 2019, the balance of short-term loans granted included the following items:

- loan granted to the subsidary company, Budimex Bau GmbH, based on a loan agreement of 15 January 2015 in the amount of PLN 43 thousand. The effective euro-based loan interest rate in 2019 and 2018 was 3.00%. Loan maturity date was set at 18 January 2020 and as at the date of the preparation of these financial statements the loan was repaid.
- loan granted to FBSerwis SA (subsidiary of Budimex SA) based on a loan agreement of 24 March 2015 to the amount of PLN 3 969 thousand. On 19 December 2019, loan principal was repaid in full prior to its maturity date. The outstanding interest was PLN 8 thousand, payable by 31 January 2020. Loan effective interest rate in 2019 was 5.72% (in 2018: 5.72%). Loan maturity date was set at 24 March 2020.
- loan granted to FBSerwis SA (subsidiary of Budimex SA) based on a loan agreement of 30 May 2017 to the amount of PLN 78 400 thousand. On 19 December 2019, loan principal was repaid in full prior to its maturity date. The outstanding interest was PLN 1 638 thousand payable by 31 January 2020. Loan effective interest rate in 2019 was 5.72% (in 2018: 5.72%). Loan maturity date was set at 26 May 2020.
- loan granted to FBSerwis SA (subsidiary of Budimex SA) based on a loan agreement of 3 July 2019 to the amount of PLN 62 000 thousand. On 19 December 2019, loan principal was repaid in full prior to its maturity date. The outstanding interest was PLN 1 642 thousand payable by 31 January 2020. Loan effective interest rate in 2019 was 5.72%. Loan maturity date was set at 31 January 2020.

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

During 2019, Budimex SA also issued a loan to the subsidiary company, Budimex Nieruchomości SA, based on a loan agreement of 18 April 2017 to the amount of PLN 100 000 thousand. Loan effective interest rate in 2019 was 3.84% (in 2018: 3.84%). Loan maturity date was set at 29 June 2019 and the loan was repaid before set maturity date.

The fair value of granted loans approximates their carrying amount.

Loans granted were classified as financial assets measured at amortized cost.

16.3 Investments in debt instruments

Investments in debt instruments comprise solely short-term unlisted bonds of Polish banks holding long-term investment rating.

	2019	2018
Opening balance	**-**	**278 972**
Increases:	**119 721**	**241 028**
– purchase	119 588	238 868
– accrued interest (note 34)	133	2 160
Decreases:	**-**	**(520 000)**
– bonds redemption	-	(516 877)
– interest payment	-	(3 123)
Closing balance	**119 721**	**-**
of which:		
– long-term	-	-
– short-term	*119 721*	-

As at 31 December 2019, average yield of debt securities was 2.03% p.a., and average maturity date - 43 days.

The fair value of bonds approximated the value presented in the consolidated statement of financial position as these were short-term items. Investments in debt instruments were classified as financial assets measured at amortized cost.

17. Trade and other receivables

Long-term trade and other receivables	31 December 2019	31 December 2018
Prepayments and accruals	22 823	21 807
Total receivables, net	**22 823**	**21 807**
Impairment write-downs	-	-
Total receivables, gross	**22 823**	**21 807**

Short-term trade and other receivables	31 December 2019	31 December 2018
Trade receivables	856 510	721 011
Advanced payments made	51 312	43 242
Prepayments and accruals	24 364	25 464
Other receivables	14 164	12 295
Total receivables, net	**946 350**	**802 012**
Impairment write-downs	125 547	127 917
Total receivables, gross	**1 071 897**	**929 929**

Prepayments and accruals include mainly guarantee and insurance costs paid in advance.

No credit risk concentration in respect of trade receivables was identified at the Company due to the fact that its main customer is a government agency.

The fair value of trade and other receivables approximates their carrying amount.

As at 31 December 2019 and 31 December 2018, no securities or collaterals were established on these assets.

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

Impairment write-downs against receivables	31 December 2019	31 December 2018
Impairment write-downs against receivables – opening balance	**127 917**	**124 503**
Increases:	**9 857**	**16 463**
- doubtful and overdue receivables (note 33)	9 857	16 151
- valuation of impairment balances at foreign operations	-	312
Decreases:	**(12 227)**	**(13 049)**
- debtor repayments (note 33)	(7 354)	(900)
- write-off of impaired receivables	(4 108)	(12 149)
- reclassification between impairment write-down against receivables and against retention	(712)	-
- valuation of impairment balances at foreign operation	(53)	-
Impairment write-downs against receivables – closing balance	**125 547**	**127 917**

Impairment write-downs against trade and other receivables have been measured at the amount of lifetime expected credit losses of the given financial asset.

Methodology to calculate impairment write-downs in the amount of expected credit losses

Budimex SA analyses credit risk for trade receivables, by the following groups of amounts receivable:

1. public investor receivables from main sales
2. private investor receivables from main sales
3. other receivables from other contractors from re-invoiced raw materials, re-invoiced costs and re-invoiced owner's representation/ project supervisor *(wykonawstwo zastępcze)* expenses etc.

For the above groups of receivables, a portfolio analysis was performed and a simplified matrix was used for the impairment write-downs in individual receivable ageing categories, based on the receivables' lifetime expected credit losses calculated using the indexes of impairment write-downs in the individual categories determined using the 2015-2019 historical data.

1. In the analysed period, on average more than 75% of sales was realised to the public sector companies, including in a significant part to the state treasury companies. Given the fact that the Company does not assume any significant change in the realized sales structure, and the level of impairment write-downs against past due receivables from these entities was approx. 0.1%, the credit risk for this portfolio was assessed as insignificant.

The remaining part of the portfolio relates to receivables from private investors and from other contractors:

2. Receivables from private contractors incur the highest credit risk. However, the Budimex SA's proactive policy of credit risk control minimizes the level of doubtful receivables also in this part of the portfolio. The average for the last 5 years shows that the level of impairment write-downs approximated 0.1% of portfolio receivables.
3. Receivables from other contractors incur higher credit risk, but due to the their marginal share in total receivables (of approx. 5%, and approx. 1% share in total sales) and the adopted policy for their valuation and re-valuation at the time of origination based on expected cash flows and held securities (guarantees and retentions to be set-off against), they also do not have any significant impact on risk assessments in the future.

Given the specific character of construction contracts and the amount of written-off receivables the receivables considered by Budimex SA as doubtful debts are the receivables which are past due for more than 180 days or receivables from the contractors facing bankruptcy. If this is the case, then, irrespective of the maturity date or future risk estimate, a 100% write-down is recognized based on the monthly analysis of overdue receivables obtained from individual contractors.

The cost of receivables impairment write-down is analyzed over the entire lifetime of these assets, while accounting for the fact that the update of value does not mean taking decision to discontinue debt recovery, but merely proves prudency in the approach to financial assets valuation.

As at 31 December 31 2019 all overdue other receivables in the amount of PLN 33 106 thousand belonged to the category of receivables whose credit risk increased materially.

The total value of impairment write-down in the amount of expected credit losses for which credit risk materially increased amounted as at 31 December 2019 to PLN 125 547 thousand (as at 31 December 2018 - PLN 127 917 thousand).

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

Ageing analysis of trade receivables

	31 December 2019	31 December 2018
Trade receivables due and receivable in:		
- up to 1 month	609 157	420 623
- 1 – 3 months	156 650	146 932
- 3 -6 months	7 300	2 210
- 6 months – 1 year	-	13 177
- above 1 year	-	-
- overdue receivables	175 844	232 193
Trade receivables, gross	**948 951**	**815 135**
Impairment write-downs, net	92 441	94 124
Trade receivables, net	**856 510**	**721 011**

The Company's exposure to credit risk in relation to trade receivables is presented in the table below:

	Short-term trade receivables as at 31 December 2019						
		overdue					
	current	**1-30 days**	**31-90 days**	**91-180 days**	**181-365 days**	**>365 days**	**Total**
Expected credit loss rate	0.79%	1.15%	0.90%	6.16%	15.12%	91.17%	
Gross value of trade receivables at default	773 107	28 590	35 000	11 046	9 562	91 646	**948 951**
Impairment write-down in the amount of expected credit loss	6 108	329	315	680	1 446	83 563	**92 441**

The receivables for which no impairment write-down was recognised and which are not past due, do not incur high credit risk.

18. Inventories

	31 December 2019	31 December 2018
Raw materials	464 742	295 885
Semi-finished goods and work in progress	13 137	12 500
Inventories net value – closing balance	**477 879**	**308 385**
Inventory impairment write-downs – closing balance	3 781	3 287
Inventories gross value – closing balance	**481 660**	**311 672**

Inventory impairment write-downs

	2019	2018
Inventory impairment write-downs – opening balance	**3 287**	**2 425**
Charged to other operating expenses (note 33)	494	862
Inventory impairment write-downs – closing balance	**3 781**	**3 287**

As at 31 December 2019 and 31 December 2018, there were *no* liens or encumbrances *(obciążenia o charakterze prawnorzeczowym)* or encumbrances obligating to perform a legal act *(obciążenia obligacyjne)* established on the Company's inventories. The Company also *did not* have any interest capitalised in inventories.

As at 31 December 2019 and 31 December 2018, the expected period of all inventory stocks utilization did not exceed 12 months.

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

19. Cash and cash equivalents

	31 December 2019	31 December 2018
Cash on hand	12	15
Cash at bank	1 182 208	1 159 330
– current accounts	280 678	67 157
– overnight (one-day) deposits	-	288 023
– other deposits	901 530	804 150
Other cash equivalents	434	250
Total cash and cash equivalents	**1 182 654**	**1 159 595**
Cash and cash equivalents of restricted use	(14 423)	(23 304)
Cash recognised in the statement of cash flows	**1 168 231**	**1 136 291**

The balance of cash and cash equivalents of restricted use comprises mainly cash of consortium partners in the part belonging to co-consortium members and of cash kept on VAT accounts under split payment.

Short-term bank deposits and highly liquid investments included in cash and cash equivalents comprise mainly "overnight" deposits and short-term deposits with a maturity date of 2-365 days with an average effective interest rate as at 31 December 2019 of 1.50% per annum for PLN-based deposits (as at 31 December 2018: 1.39% p.a. for PLN-based deposits). The average maturity period for these deposits is 38 days (31 December 2018: 25 days).

In 2019, the Company acquired cash and cash equivalents with a value of PLN 1 246 thousand following guarantee realization (in 2018: PLN 4 014 thousand).

20. Equity

The issued capital of the Company consists of 25 530 098 shares with a total value of PLN 127 650 thousand. The structure of the issued capital of the Company as at 31 December 2019 is as follows:

Share series/ issue	Class of shares	Type of preference	Type of restrictions on rights to shares	Number of shares	Value of series/ issues according to nominal value
A	ordinary/ registered	None	None	2 250	11
A	ordinary/bearer	None	None	2 997 750	14 989
B	ordinary/bearer	None	None	2 000 000	10 000
C	ordinary/bearer	None	None	1 900 285	9 502
D	ordinary/bearer	None	None	1 725 072	8 625
E	ordinary/bearer	None	None	2 000 000	10 000
F	ordinary/bearer	None	None	5 312 678	26 563
G	ordinary/bearer	None	None	2 217 549	11 088
H	ordinary/bearer	None	None	1 448 554	7 243
I	ordinary/bearer	None	None	186 250	931
K	ordinary/bearer	None	None	1 484 693	7 423
L	ordinary/bearer	None	None	4 255 017	21 275
Total				**25 530 098**	**127 650**

The number of shares making up authorised issued capital equates to the number of issued shares. The nominal value of one share in PLN 5. The Company does not hold treasury shares. No shares were reserved for the purpose of share issuance in connection with option exercising or realization of sale agreements.

At the date of transition to IFRSs, the Company adjusted the value of issued capital and of share premium for the period, in which Polish economy was hyperinflationary. The effects of translation and reconciliation of balances shown in the books of account and corporate records of the Company as at 31 December 2019 and 31 December 2018 and the balances recognised in the financial statements are presented in the table below.

	31 December 2019	31 December 2018
Issued capital as per books of account	**127 650**	**127 650**
Restatement of equity due to hyperinflation	18 198	18 198
Value reported in the financial statements	**145 848**	**145 848**

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

Share premium	31 December 2019	31 December 2018
Value as per books of account	**78 119**	**78 119**
Restatement of equity due to hyperinflation	2 080	2 080
Value reported in the financial statements	**80 199**	**80 199**

The value by which the issued capital and share premium were adjusted for hyperinflation was recognised under „accumulated profits/ (losses) from previous years" in equity.

Other reserves	31 December 2019	31 December 2018
Created in accordance with articles of association	42 550	42 550
Created in accordance with articles of association in excess of minimum statutory amounts – from revaluation	4 241	4 241
Actuarial gains/ (losses)	(4 326)	(4 135)
Share-based payments	7 171	7 171
Other	1 529	1 529
Total	**51 165**	**51 356**

Retained earnings/ (losses)	31 December 2019	31 December 2018
Retained earnings representing reserve capital (note 37)	161 173	410
Result for the current year	232 723	321 602
Total	**393 896**	**322 012**

21. Loans and borrowings and other external sources of finance

	31 December 2019	31 December 2018
Non-current		
Lease liabilities	106 211	88 171
	106 211	**88 171**
Current		
Bank loans and borrowings	-	9 015
Interest accrued on short-term loans and borrowings	-	4
Lease liabilities	54 253	33 063
	54 253	**42 082**
Total	**160 464**	**130 253**

21.1 Bank loans and borrowings

Based on a loan agreement of 1 December 2004, Budimex SA obtained from Ferrovial Infraestructuras SA (currently Ferrovial SA) a loan of EUR 1 500 thousand. Loan interest was capitalised. Loan in the amount of PLN 9 003 thousand was repaid by Budimex SA on 22 March 2019 together with interest accrued for 2019 in the amount of PLN 12 thousand.

At the same time, as at 31 December 2019 and 31 December 2018, the Company had concluded overdraft facility agreements with banks, which at the reporting date were not utilised.

In the period covered by these financial statements, no instances were identified of default on principal or interest payment or non-compliance with other terms and conditions of this loan. The Company did not violate or negotiate the terms and conditions of the loan prior to the authorization of these financial statements.

21.2 Lease liabilities

The Company signed lease agreements for financing all classes of property, plant and equipment, mainly plant and machinery, and means of transport. Leased assets were made available for the period from 13 months (construction site offices) to 1200 months (perpetual usufruct). After the completion of the original lease term and after discharging its liabilities, the Company will have the right to acquire some of the leased assets for the price equating their residual value. The contractual liabilities are partly secured with a blank promissory note issued by the Company together with a written authorisation for its drawing.

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

Ageing analysis of lease liabilities

31 December 2019	Present value of lease payments	Undiscounted contractual cash flows
– less than 1 year	54 253	57 605
– 1 – 3 years	86 380	89 776
– 3 – 5 years	9 971	10 729
– above 5 years	9 860	12 298
Total	**160 464**	**170 408**

Future minimum lease payments under the above lease agreements and the present value of net minimum lease payments as at 31 December 2018 were as follows (in accordance with IAS 17):

	Minimum lease payments	Present value of minimum lease payments
– less than 1 year	36 321	33 063
– 1-5 years	92 509	88 171
Total finance lease liabilities	**128 830**	**121 234**
of which: future finance costs under finance leases	7 596	-
Present value	**121 234**	**121 234**

The Company has the right of earlier repayment of part of its lease liabilities. Lease contracts do not provide for penalties for early repayment of these liabilities.

21.3 Interest rate risk

The effective interest rates as at 31 December 2019 and 31 December 2018 were as follows:

	31 December 2019		31 December 2018	
	PLN	EUR	PLN	EUR
Bank loans and borrowings	-	-	-	0.60%
Lease liabilities	3.04%	0.95%	3.03%	-

22. Trade and other payables

	31 December 2019	31 December 2018
Trade liabilities	329 128	481 305
Un-invoiced costs	572 815	678 508
Tax and social security (ZUS) creditors	146 276	226 054
Liabilities relating to consortia settlement	-	2 511
Payroll	5 699	5 892
Accrued expenses	242 985	245 213
Other liabilities	3 195	2 416
Total liabilities	**1 300 098**	**1 641 899**

Accrued expenses	**31 December 2019**	**31 December 2018**
Cost of unpaid bonus	164 926	171 647
Cost of unused annual leave	42 970	45 132
Costs of realised construction contracts completion	33 657	26 934
Other	1 432	1 500
Total	**242 985**	**245 213**

All trade and other payables as at 31 December 2019 and 31 December 2018 were recognised under current liabilities as they will be settled in the course of Company's normal operating cycle.

Financial liabilities comprise trade liabilities, un-invoiced costs payroll, liabilities relating to consortia settlement and accrued expenses relating to unused annul leave and employee bonus.

Non-financial liabilities comprise tax and social security creditors, accrued expenses relating to costs of construction contracts completion and other liabilities.

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

23. Income tax

Deferred tax assets	**31 December 2019**	**31 December 2018**
– to be realised after 12 months	125 128	103 567
– to be realised within 12 months	385 225	363 189
Total	**510 353**	**466 756**
Offsetting	(127 489)	(144 731)
Deferred tax assets, after set-off	**382 864**	**322 025**

Deferred tax liabilities	**31 December 2019**	**31 December 2018**
– to be settled after 12 months	26 516	21 211
– to be settled within 12 months	100 973	123 520
Total	**127 489**	**144 731**
Offsetting	(127 489)	(144 731)
Deferred tax liabilities, after set-off	**-**	**-**

Movements in the net balance of deferred tax are as follows:

	2019	**2018**
Balance at the beginning of the year	**322 025**	**360 149**
Credit/ (charge) to financial result	60 794	(38 381)
Credit/ (charge) to other comprehensive income	45	257
Balance at the end of the year	**382 864**	**322 025**

Deferred tax assets and deferred tax liabilities are recognised in respect of deductible and taxable temporary differences relating to local items of assets and liabilities using the 19% tax rate, while deferred tax assets and deferred tax liabilities arising from temporary differences relating to assets and liabilities of foreign operations – using the local tax rates of the country representing the primary economic environment, in which the Company operates and pays income tax.

As at 31 December 2019, deductible temporary differences and carry-forward of unused tax losses for which no deferred tax asset was recognised in the statement of financial position amounted to PLN 84 621 thousand (the value of deferred tax asset - PLN 12 799 thousand) and related to impairment write-downs against receivables and tax losses incurred in Lithuania. The reason for non-recognition of a deferred tax asset is that the probability of non-recovery of debts that exists under Polish tax law is rather remote as well as the lack of taxable income in Lithuania. Deductible temporary differences and carry-forward of unused tax losses expire in 2021.

As at 31 December 2018, deductible temporary differences and carry-forward of unused tax losses for which no deferred tax asset was recognised in the statement of financial position amounted to PLN 12 699 thousand (the value of deferred tax asset amounted to PLN 2 413 thousand) and related to impairment write-downs against receivables.

	2019	**2018**
Current tax	128 535	36 780
Deferred tax	(60 794)	38 381
Adjustments to prior periods current income tax	9 070	1
Tax expense/ (tax income)	**76 811**	**75 162**

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

Current tax	**2019**	**2018**
Gross profit/ (loss)	309 534	396 764
Difference between accounting gross profit/ (loss) and taxable base (by title):	346 124	(228 648)
– *permanent differences between gross profit and taxable income*	*(43 482)*	*(23 254)*
– *temporary differences between gross profit and taxable income*	*322 618*	*(189 436)*
– *other differences*	*66 988*	*(15 958)*
Taxable base	655 658	168 116
Income tax at binding rate of 19%	124 575	31 942
Income tax on profits earned abroad	2 371	2 821
Income tax on industrial and commercial business in Germany	1 677	2 227
Tax increases, waivers, exemptions, deductions and reductions	(88)	(210)
Current tax	**128 535**	**36 780**

The reconciliation of Company's accounting gross profit and notional amount that would be recognised had the weighted average rate of tax was applied to the profits is as follows:

	2019	**2018**
Pre-tax profit/ (loss)	**309 534**	**396 764**
Tax calculated using domestic tax rates	58 811	75 385
Differences in taxation of revenues of foreign operations	2 803	(492)
Adjustments to prior periods current income tax	9 070	1
Tax effects of permanent differences between gross profit and taxable income	(8 262)	(4 418)
Deductible temporary differences, carry-forward of unused tax losses and carry-forward of unused tax credits for which no deferred tax assets were recognised in the statement of financial position	12 799	2 413
Tax expense/ (tax income) calculated with respect to industrial and commercial business operations in Germany	1 677	2 928
Other	(87)	(655)
Tax expense/ (tax income)	**76 811**	**75 162**
Effective tax rate	*24.82%*	*18.94%*

Movements in the balance of deferred tax liabilities (by tittle)

	Valuation of construction contracts	**Leases**	**Discount of retentions for construction contracts**	**Valuation of derivatives**	**Other**	**Total**
Deferred tax liabilities as at 1 January 2018	**88 246**	**13 995**	**4 341**	**2 442**	**10 749**	**119 773**
Increases:	**16 406**	**10 644**	**444**	**-**	**-**	**27 494**
Charge to financial result – change in the balance of temporary differences	16 406	10 644	444	-	-	27 494
Decreases:	**-**	**-**	**-**	**(1 596)**	**(940)**	**(2 536)**
Credit to financial result – change in the balance of temporary differences	-	-	-	(1 596)	(940)	(2 536)
Deferred tax liabilities as at 31 December 2018	**104 652**	**24 639**	**4 785**	**846**	**9 809**	**144 731**
Increases:	**-**	**7 928**	**20**	**-**	**1 640**	**9 588**
Charge to financial result – change in the balance of temporary differences	-	7 928	20	-	1 640	9 588
Decreases:	**(26 019)**	**-**	**-**	**(735)**	**(76)**	**(26 830)**
Credit to financial result – change in the balance of temporary differences	(26 019)	-	-	(735)	(76)	(26 830)
Deferred tax liabilities as at 31 December 2019	**78 633**	**32 567**	**4 805**	**111**	**11 373**	**127 489**

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

Movements in the balance of deferred tax assets (by tittle):

	Valuation of construction contracts	Provision for contract losses	Contract costs related to accrued income	Provision for costs of un-invoiced services	Provision for warranty repairs	Other provisions for liabilities	Provision for employee bonus	Impairment write-downs against receivables	Provision for unused annual leave	Provision for employee retirement & pension benefits	Other	Total
Deferred tax assets as at 1 January 2018	**145 606**	**44 625**	**82 703**	**53 856**	**58 663**	**35 789**	**29 935**	**12 363**	**7 103**	**1 680**	**7 599**	**479 922**
Increases:	**-**	**-**	**17 983**	**-**	**10 548**	**13 838**	**1 724**	**209**	**953**	**454**	**358**	**46 067**
Credit to financial result – change in the balance of temporary differences	-	-	17 983	-	10 548	13 838	1 724	209	953	197	358	45 810
Temporary differences taken to other comprehensive income	-	-	-	-	-	-	-	-	-	257	-	257
Decreases:	**(42 360)**	**(14 408)**	**-**	**(585)**	**-**	**-**	**-**	**-**	**-**	**-**	**(1 880)**	**(59 233)**
Charge to financial result – change in the balance of temporary differences	(42 360)	(14 408)	-	(585)	-	-	-	-	-	-	(1 880)	(59 233)
Deferred tax assets as at 31 December 2018	**103 246**	**30 217**	**100 686**	**53 271**	**69 211**	**49 627**	**31 659**	**12 572**	**8 056**	**2 134**	**6 077**	**466 756**
Increases:	**52 550**	**9 427**	**-**	**-**	**10 466**	**6 607**	**-**	**15**	**-**	**303**	**126**	**79 494**
Credit to financial result – change in the balance of temporary differences	52 550	9 427	-	-	10 466	6 607	-	15	-	258	126	79 449
Temporary differences taken to other comprehensive income	-	-	-	-	-	-	-	-	-	45	-	45
Decreases:	**-**	**-**	**(26 518)**	**(6 793)**	**-**	**-**	**(1 172)**	**-**	**(552)**	**-**	**(862)**	**(35 897)**
Charge to financial result – change in the balance of temporary differences	-	-	(26 518)	(6 793)	-	-	(1 172)	-	(552)	-	(862)	(35 897)
Deferred tax assets as at 31 December 2019	**155 796**	**39 644**	**74 168**	**46 478**	**79 677**	**56 234**	**30 487**	**12 587**	**7 504**	**2 437**	**5 341**	**510 353**

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

24. Retirement benefits and similar obligations

As at 31 December 2019 and 31 December 2018, all employees of the Company benefited from the retirement-pension benefits. Retirement and pension benefits are one-off payments upon retirement. The amount of the retirement benefit/ pension benefit due and payable is the product of the base of benefit calculation at the date of entitlement (i.e. at the date the right to receive benefit payment vests) and the appropriate cumulative ratio (progressing in proportion to the years of service).

Usually, the obligation to pay the retirement and pension benefits entails the actuarial risk consisting of:

Interest rate risk – the present value of liabilities from retirement benefits and similar obligations is calculated using the discount rate established by reference to the profitability of T-bonds available on the market, as in Poland there are no highly liquid, low-risk commercial bonds. In case of a decrease in bonds interest rates, the balance of liabilities from retirement benefits and similar obligations increases.

Remuneration risk - the present value of liabilities from retirement benefits and similar obligations is calculated by reference to the future level of remuneration of employees of the Company. Thus, an increase in employee remuneration will result in an increase in liabilities from retirement benefits and similar obligations.

Longevity risk - the present value of liabilities from retirement benefits and similar obligations is calculated by reference to the best estimates of employee mortality during employment period. Therefore, an increase in the expected employee life will result in an increase in liabilities from retirement benefits.

Risk of changes to retirement age - the present value of liabilities from retirement benefits and similar obligations is calculated based on statutory retirement age applicable in Poland. Therefore, an increase in the retirement age will result in a decrease in liabilities from retirement benefits.

Liabilities under employee benefits recognised in the statement of financial position:

	31 December 2019	31 December 2018
Retirement/ pension benefits, of which:	**12 824**	**11 230**
– present value of the obligation at the reporting date	12 824	11 230
Total retirement benefits and similar obligations	**12 824**	**11 230**
of which:		
– long-term portion	*11 497*	*10 108*
– short-term portion	*1 327*	*1 122*

Main actuarial assumptions (the table below shows the range of percentage rates adopted by actuary):

	31 December 2019	31 December 2018
Discount rate	1.72% – 2.29%	1.80% – 2.65%
Forecast inflation rate	2.30% – 2.60%	2.9% – 3.2%
Forecast salary growth rate	6.70% – 7.20%	3.30% – 6.70%

Assumptions regarding mortality are based on 2016 Life Expectancy Tables for Poland published by the Statistics Poland (Central Statistical Office of Poland).

The last valuation of employee benefits was made by an independent actuary as at 31 December 2019.

Changes in the balance of liability from retirement and pension benefits are presented in the table below.

	2019	2018
Present value of liability at the beginning of the period	**11 230**	**8 842**
Interest expense	260	227
Service costs	1 666	1 148
Benefits paid	(568)	(340)
Actuarial (gains)/losses, of which arising from:	236	1 353
- change in assumptions	*614*	*416*
- other	*(378)*	*937*
Present value of liability at the end of the period	**12 824**	**11 230**

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

Costs of future employee benefits charged to the profit and loss account are presented in the table below:

	2019	2018
Service costs	1 666	1 148
Interest expense	260	227
Costs recognised in the profit and loss account (note 32)	**1 926**	**1 375**
Actuarial losses to be recognised in the period	236	1 353
Costs recognised in other comprehensive income	**236**	**1 353**

Sensitivity analysis

Significant actuarial assumptions applied to calculate liabilities from retirement benefits and similar obligations cover discount rate, expected salary increase and staff turnover.

Analysis of sensitivity to fluctuations in interest rates

An increase in the assumed discount rate by 1 percentage point would result in a decrease in liabilities from retirement and similar benefits by PLN 1 513 thousand, while a decrease in the assumed discount rate by 1 percentage point would bring about an increase in said liability by PLN 1 867 thousand.

Analysis of sensitivity to fluctuations in salary growth rates

An increase in the assumed salary growth rate by 1 percentage point would result in an increase in liabilities from retirement and similar benefits by PLN 1 760 thousand, while a decrease in the assumed remuneration growth rate by 1 percentage point would bring about a decrease in liability under retirement and similar benefits by PLN 1 466 thousand.

Analysis of sensitivity to staff turnover

An increase in the assumed staff turnover by 1 percentage point would result in a decrease in liabilities from retirement and similar benefits by PLN 1 656 thousand, while a decrease in the assumed staff turnover by 1 percentage point would bring about an increase in said liability by PLN 2 042 thousand.

The above analysis may not be representative for the effective movements in liability from retirement benefits and similar obligations. It is also rather unlikely that the changes of certain assumptions occur separately, as some of the assumptions may be correlated.

The methods and assumptions underlying sensitivity analysis did not change materially compared to the prior year.

25. Provisions for liabilities and other charges

Long-term provisions for liabilities and other charges	**31 December 2019**	**31 December 2018**
Warranty repairs		
balance at the beginning of the period	**271 771**	**219 909**
recognition:	94 912	94 386
- increase	*82 611*	*94 386*
- transfer from short-term items	*12 301*	-
reversal:	(12 751)	(42 524)
- decrease	*(12 751)*	*(17 996)*
- transfer to short-term items	-	*(24 528)*
balance at the end of the period	**353 932**	**271 771**
Total other provisions for liabilities	**353 932**	**271 771**

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

Short-term provisions for liabilities and other charges	**31 December 2019**	**31 December 2018**
Litigation proceedings		
balance at the beginning of the period	**22 984**	**23 550**
- recognition (note 33)	417	411
- reversal (note 33)	(411)	(980)
- other	-	3
balance at the end of the period	**22 990**	**22 984**
Warranty repairs		
balance at the beginning of the period	**98 983**	**95 237**
- transfer from long-term items	-	24 528
- utilization	(14 033)	(20 782)
- transfer to long-term items	(12 301)	-
balance at the end of the period	**72 649**	**98 983**
Provision for penalties/ sanctions		
balance at the beginning of the period	**52 962**	**39 027**
- recognition (note 33)	71 787	21 021
- reversal (note 33)	(11 598)	(7 086)
balance at the end of the period	**113 151**	**52 962**
Other provisions for liabilities, total	**208 790**	**174 929**

The creation/ (reversal) of provisions for litigation and for penalties & sanctions was recognised under other operating expenses (note 33), while creation/ (reversal) of provisions for warranty repair – under operating expenses.

The most significant court cases, in which the Company is a party have been described in point 5.7 of the Directors' Report on activities for 2019.

26. Construction contracts

The table below presents data relating to construction contracts valued by the Company in accordance with the stage of completion method (the surveys of work performed method or the work progress measurement method):

Selected financial data:

	31 December 2019	**31 December 2018**
Assets		
– valuation of construction contracts (note 30)	415 362	552 306
Liabilities		
– valuation of construction contracts (note 30)	952 684	583 918
– provision for construction contract losses	241 789	159 036
– advance payments received for construction contracts in progress (note 27)	580 095	370 474

The fair value of valuation of construction contracts approximates their carrying amount.

27. Deferred income

Deferred income comprises:

	31 December 2019	**31 December 2018**
Advance payments received for construction contracts in progress (note 26)	580 095	370 474
Other accrued income	5 815	7 991
Total	**585 910**	**378 465**

All advance payments received and other accrued income as at 31 December 2019 and 31 December 2018 were recognised under current liabilities as they will be settled in the course of Company's normal operating cycle.

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

28. Retentions for construction contracts

	31 December 2019	31 December 2018
Retained by customers – to be returned after 12 months	91 740	79 665
Retained by customers – to be returned within 12 months	58 023	47 191
Total retentions for construction contracts retained by customers	**149 763**	**126 856**
Received from suppliers – to be returned after 12 months	213 687	213 836
Received from suppliers – to be returned within 12 months	206 465	205 048
Total retentions for construction contracts received from suppliers	**420 152**	**418 884**

Retentions for construction contracts with a payment date of more than one year are discounted and are recognised in the statement of financial position at present value. The table below shows the results of discounting recognised in the statement of financial position and profit and loss account of the Company in individual periods. The amounts of discount reduce nominal value of receivables from and liabilities under retentions for construction contracts. In addition, a deferred tax asset is recognised in the statement of financial position on the amounts stated calculated using the tax rate prevailing in Poland, i.e. 19%, and on the effect of change in the value of discount in the profit and loss account.

	31 December 2019	31 December 2018
Discount of long-term retentions for construction contracts retained by customers	3 409	4 164
Discount of long-term retentions for construction contracts received from suppliers	25 293	25 187

Discount recognised in the profit and loss account:

	2019	2018
Decrease in sales revenue	(952)	(2 432)
Reduction in the cost of services sold	8 410	11 551
Total adjustment to gross margin	**7 458**	**9 119**
Adjustment to finance income / (finance costs) (note 34)	(6 597)	(7 950)
Deferred tax on the above adjustments	(164)	(222)
Net effect on the profit and loss account	**697**	**947**

The fair value of the amounts retained by customers and of the amounts received from suppliers approximates their respective carrying amounts.

Movements in the balance of impairment write-downs against retentions for construction contracts retained by customers	**31 December 2019**	**31 December 2018**
balance at the beginning of the period	**2 549**	**3 429**
Increases:	**2 192**	**-**
- doubtful and overdue receivables (note 33)	1 480	-
- reclassification of impairment write-downs against receivables to the value of retentions	712	-
Decreases:	**(1 990)**	**(880)**
- repayment of receivables by debtors (note 33)	(687)	(602)
- receivables written-off	(1 303)	(278)
Balance of impairment write-downs against retentions for construction contracts at the end of the period	**2 751**	**2 549**

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

29. Revenue from contracts with customers

The Company operates in one business segment only i.e. in the construction segment.

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

Sales of finished goods and services, and goods for resale and raw materials, by type of good or service were as follows:

Type of service/ goods	2019	2018
Sales of construction-assembly work	6 874 212	6 745 484
Sales of other services	51 253	43 052
Sales of goods for resale and raw materials	14 345	8 332
Total sales of finished goods and services, goods for resale and raw materials	**6 939 810**	**6 796 868**

Sales of finished goods and services, and goods for resale and raw materials, by geographical area were as follows:

Country	2019	2018
Poland	6 612 462	6 546 150
Germany	180 160	175 880
Other EU countries	147 188	74 838
Total sales of finished goods and services, goods for resale and raw materials	**6 939 810**	**6 796 868**

Sales of finished goods and services, and goods for resale and raw materials, by type of constructed objects, were as follows:

Type of constructed objects	2019	2018
Civil engineering	3 083 762	3 150 060
Railway	1 130 840	615 452
General construction, of which:	2 659 610	2 979 972
- non-housing	*2 004 883*	*2 266 989*
- housing	*654 727*	*712 983*
Other	65 598	51 384
Total sales of finished goods and services, goods for resale and raw materials	**6 939 810**	**6 796 868**

30. Assets and liabilities arising from contracts with customers

Deadline to satisfy contract performance obligations vs applied payment deadlines

Construction contracts are settled with investors in the following manner:

- During contract performance – partially, as the work progresses, most often in monthly periods based on settlement documents confirming completion of certain types of work and satisfaction of other contract performance obligations (interim certificate of payment, interim technical acceptance (OT) protocols, progress billings), and
- After contract work completion – based on final documents (final technical acceptance (OT) protocol, final invoice), confirming completion of contract work and complete satisfaction of performance obligations necessary for final contract settlement.

Deadlines for the payment for construction works performed by the Company are usually set at 30 days, with the proviso that for certain construction contracts the Company obtains financing prior to the commencement of contract work in the form of advance payments which are successively settled under progress billings and under final invoice.

During 2019, no revenues were recognised from contracts with customers, under which performance obligation to deliver a good or service was satisfied in the prior financial year.

During 2019, no revenue adjustments were recognised that could have impact on the assets or liabilities arising from contracts with customers, and which would result from a change in contract progress measurement or contract change.

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

	1 January 2019	Change in contracts valuation	Revenue recognised in 2019 and included in contracts liabilities as at 31 December 2018	Change of the period, in which right to contract consideration becomes unconditional	31 December 2019
Valuation of construction contracts	552 306	415 362	-	(552 306)	415 362
Assets from contracts with customers	**552 306**	**415 362**	**-**	**(552 306)**	**415 362**
Valuation of construction contracts	583 918	642 416	(273 650)	-	952 684
Liabilities from contracts with customers	**583 918**	**642 416**	**(273 650)**	**-**	**952 684**

	1 January 2018	Change in contracts valuation	Revenue recognised in 2018 and included in contracts liabilities as at 31 December 2017	Change of the period, in which right to contract consideration becomes unconditional	31 December 2018
Valuation of construction contracts	472 740	552 306	-	(472 740)	552 306
Assets from contracts with customers	**472 740**	**552 306**	**-**	**(472 740)**	**552 306**
Valuation of construction contracts	767 855	(19 623)	(164 314)	-	583 918
Liabilities from contracts with customers	**767 855**	**(19 623)**	**(164 314)**	**-**	**583 918**

Outstanding performance obligations under contracts with customers

Total amount of transaction price allocated to obligations to perform services which were not executed (or partially not executed) at the end of the reporting period, to be realised within:	31 December 2019	31 December 2018
- up to 1 year	6 411 272	6 226 180
- above 1 year	4 065 617	3 844 857
Total	**10 476 889**	**10 071 037**

31. Costs by type

	2019	2018
Depreciation/ amortization of which:	71 165	45 499
– property, plant and equipment (note 10)	*66 327*	*40 238*
– investment property (note 11)	*45*	*128*
– intangible assets (note 13)	*4 793*	*5 133*
Employee benefits (note 32)	868 192	854 728
Materials and energy	1 743 568	2 127 865
External services	3 688 055	3 661 785
Taxes and charges	9 333	6 380
Advertising and representation	5 054	6 408
Non-life (property) and life insurance	18 462	17 284
Change in the balance of provision for contract losses (note 26)	82 753	(75 840)
Other costs by type	227 067	(114 999)
Selling expenses (negative value)	(10 688)	(11 098)
Administrative expenses (negative value)	(167 660)	(206 328)
Change in the balance of finished goods and work in progress	-	-
Cost of goods produced for the entity’s own needs (negative value)	-	-
Cost of finished goods and services sold	**6 535 301**	**6 311 684**
Cost of goods for resale and raw materials sold	11 243	2 049
Cost of finished goods and services, goods for resale and raw materials sold	**6 546 544**	**6 313 733**

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

32. Cost of employee benefits

	2019	2018
Cost of salaries and wages, of which:	**716 789**	**707 852**
– retirement and pension benefits (note 24)	*1 926*	*1 375*
– share-based payments (note 38)	*2 319*	*2 735*
– termination benefits	*3 864*	*4 657*
Cost of social security surcharges and other allowances, of which:	**151 403**	**146 876**
– social security	*120 113*	*96 612*
– termination benefits	*622*	*644*
Total cost of employee benefits recognised in costs by type (note 31)	**868 192**	**854 728**

33. Other operating income and other operating expenses

Other operating income	2019	2018
Gains on the sale of non-financial long-term assets	3 896	2 973
Reversal of impairment write-downs, of which against:	8 228	1 502
– receivables (following repayment of receivables by debtors) (note 17, 28)	*8 041*	*1 502*
– property, plant and equipment (as a result of sale) (note 10)	*187*	*-*
Reversal of provisions, of which for:	12 009	8 066
– litigation (note 25)	*411*	*980*
– penalties and sanctions (note 25)	*11 598*	*7 086*
Compensations awarded	38 344	28 972
Write-off of past due liabilities	7 413	2 759
Gains on derivative financial instruments (note 16.1)	-	549
Subsidies	539	146
Other	646	201
Total	**71 075**	**45 168**

Other operating expenses	2019	2018
Recognition of impairment write-downs, of which against:	11 831	17 200
– receivables (note 17, 28)	*11 337*	*16 151*
– inventories (note 18)	*494*	*862*
– property, plant and equipment (note 10)	*-*	*187*
Creation of provisions, of which for:	72 204	21 432
– litigation (note 25)	*417*	*411*
– penalties and sanctions (note 25)	*71 787*	*21 021*
Compensations and liquidated damages paid	8 213	7 655
Court charges and executions, costs of legal proceedings	2 242	1 182
Donations given	804	1 844
Loss on derivative financial instruments (note 16.1)	234	-
Other	91	445
Total	**95 619**	**49 758**

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

34. Finance income and finance costs

Finance income	**2019**	**2018**
Interest earned on financial instruments, of which:	12 878	16 855
– on bank deposits and cash at bank	*6 657*	*10 103*
– on loans granted (note 16.2)	*6 088*	*4 592*
– on acquired bonds (note 16.3)	*133*	*2 160*
Other interest income, of which:	7 105	4 771
– interest on discount and penalty interest	*7 032*	*4 771*
– other	*73*	-
Gains on disposal of shares in subsidiary companies	-	76 991
Dividends and shares in profits	80 146	72 839
Reversal of impairment write-downs, of which against:	55 438	-
– shares in subsidiary companies (note 15)	*54 913*	-
– loans granted (following set-off) (note 16.2)	*525*	-
Foreign exchange gains	171	-
Other	1	1
Total	**155 739**	**171 457**

Finance costs	**2019**	**2018**
Interest expense in respect of financial instruments, of which:	4 573	2 959
– interest on borrowings and loans taken out and on other external sources of finance	*29*	*50*
– interest on lease contracts	*4 544*	*2 909*
Other interest expense, of which:	2 695	1 042
– default interest paid to suppliers and interest on discounts	*752*	*648*
– other interest	*1 943*	*394*
Impairment of shares in subsidiary companies (note 15)	-	682
Loss on the sale of shares in other entities (note 15)	324	-
Discount on retentions for construction contracts (note 28)	6 597	7 950
Cost of bank commissions and guarantees	22 363	22 943
Foreign exchange losses	-	148
Other	27	88
Total	**36 579**	**35 812**

35. Earnings/ (loss) per share

Basic earnings/ (loss) per share

Basic earnings/ (loss) per share are calculated as the quotient of net profit/ (loss) and the weighted average number of ordinary shares outstanding during the year (note 20).

	2019	**2018**
Net profit/ (loss)	232 723	321 602
Weighted average number of ordinary shares	25 530 098	25 530 098
Basic earnings / (loss) per share (in PLN per share)	**9.12**	**12.60**

Diluted earnings/ (loss) per share

Diluted earnings / (loss) per share equated to basic earnings per share for both periods because no dilutive instruments occurred.

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

36. Dividend per share

On 19 June 2018, Budimex SA paid out a dividend in the amount of PLN 160 839 thousand i.e. the gross amount of PLN 6.30 per one share, for which part of separate net profit for the period from 1January 2018 to 31 December 2018 was appropriated. The remaining amount of separate net profit for 2018 of PLN 160 763 thousand was appropriated to reserve capital increase (note 20).

Until the date of the preparation of these financial statements for the year ended 31 December 2019, the Management Board of Budimex SA has not adopted a resolution on recommended appropriation of profit for 2019.

37. Statement of Cash Flows

Other adjustments to the operating activities section of the statement of cash flows cover the following items:

	2019	**2018**
Cumulative translation differences	134	1 477
Other	(42)	18
Total	**92**	**1 495**

Non-monetary transactions

In 2019, non-monetary transactions relating to investing and financing activities *not* recognised in the statement of cash flows related to the increase in property, plant and equipment due to first-time application of IFRS 16 with a value of PLN 30 465 thousand (PLN 29 906 thousand – property, plant and equipment and PLN 559 thousand – investment property) and to acceptance for use under lease contracts - PLN 63 350 thousand.

In 2018, non-monetary transactions relating to investing and financing activities not recognised in the statement of cash flows related solely to the acquisition of property, plant and equipment with a value of PLN 80 108 thousand used under finance lease contracts (as per IAS 17).

38. Share-based payments

Ferrovial SA, the ultimate parent company, established an incentive scheme of free-of-charge share award, which is classified as a share-based payment transaction settled in equity.

According to this scheme, each year Management Board members and senior management of Budimex SA are granted shares in Ferrovial SA. whose final settlement takes place three years after the grant date, subject to the following conditions:

- beneficiaries must be in employment at the company for the 3-year period after program institution date, except for certain unusual situations,
- achievement in said period of certain set covenants as regards cash-flow and relation between gross operating profit and net production assets,
- the required level of covenants to become eligible for the total or proportionate number of shares is set annually.

As at 31 December 2019 and as at 31 December 2018, the total fair value of services recorded under other reserves was PLN 7 171 thousand. As at 31 December 2019, the total fair value of services recorded under liabilities amounted to PLN 12 314 thousand, while as at 31 December 2018 – PLN 9 995 thousand.

Pursuant to an agreement concluded with the Ferrovial Group in 2014, Budimex SA undertook to cover scheme costs with respect to the tranche of the instruments granted in 2014 and in the subsequent years. Therefore, the fair value of employee services related to the instruments granted in the years 2014-2019 was classified as liabilities (with a corresponding expense item).

Detailed information on plan's vested shares is presented in the table below:

Year	**Number of initially granted shares**	**Grant date**	**Fair value of 1 share at grant date**	**Financial covenants realization**	**Cost of shares granted**
2019	33 150	15-02-2019	85.71	100%	2 319
2018	37 300	15-02-2018	71.72	100%	2 735

The cost of the shares granted in 2019 was calculated as 2/36th of the cost of shares granted in 2016, 12/36th of the cost of shares granted in 2017, 12/36th of the cost of shares granted in 2018 and 10/36th of the cost of shares granted in 2019.

The cost of the shares granted in 2018 was calculated as 2/36th of the cost of shares granted in 2015, 12/36th of the cost of shares granted in 2016, 12/36th of the cost of shares granted in 2017 and 10/36th of the cost of shares granted in 2018.

The three-year vesting period for the shares granted in 2016 ended in February 2019. As the conditions of the incentive program were satisfied, 32 826 shares in Ferrovial SA were formally handed over to the employees entitled to obtain shares from this tranche. The number of shares actually granted differs from the originally awarded number due to adjustments made at a later date.

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

39. Related party transactions

Transactions with related parties made in 2019 and 2018 and the resultant unsettled balances of receivables and liabilities as at 31 December 2019 and 31 December 2018 are presented below.

	Receivables		Liabilities	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Parent and its related parties (the Ferrovial Group)	2 493	1 490	22 261	33 333
Subsidiaries	157 057	145 865	16 992	20 689
Associates	56	289	2	121
Jointly controlled entities	2 172	4 891	759	696
Other related entities*	4	14	-	-
Total	**161 782**	**152 549**	**40 014**	**54 839**

	Loans granted		Loans taken out	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Parent and its related parties (the Ferrovial Group)	-	-	-	9 019
Subsidiaries	5 369	14 324	-	-
Associates	-	74 145	-	-
Total	**5 369**	**88 469**	**-**	**9 019**

	Revenue from sale of finished goods and services and other operating income		Purchase of finished goods and services and other operating expenses	
	2019	2018	2019	2018
Parent and its related parties (the Ferrovial Group)	-	158	2 577	43 312
Subsidiaries	803 521	713 728	62 927	114 395
Associates	3 373	2 004	1 285	354
Jointly controlled entities	613	2 200	-	-
Other related entities*	-	-	2	-
Total related-party transactions	**807 507**	**718 090**	**66 791**	**158 061**

	Finance income		Finance costs	
	2019	2018	2019	2018
Parent and its related parties (the Ferrovial Group)	-	-	12	50
Subsidiaries	84 049	73 439	-	-
Associates	2 124	3 991	-	-
Jointly controlled entities	-	2	-	-
Total related-party transactions	**86 173**	**77 432**	**12**	**50**

*) Other related entities represent also entities, on which the key management person of the Company or his close relative exercises significant influence, or has a significant number of votes at the shareholders' meeting of this entity.

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

Included in the above table under "Parent and its related parties (the Ferrovial Group)" are the numerical data relating to transactions with Ferrovial Group companies: Ferrovial Agroman SA, including Ferrovial Agroman SA Oddział w Polsce [Branch in Poland] and other Ferrovial Group companies: Cintra Infraestructuras SA, Ferrovial SA, Cadagua SA and Cadagua SA Oddział w Polsce. [Branch in Poland].

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

In 2010, Budimex SA signed two agreements with Ferrovial Agroman SA under which Ferrovial renders to the Company services relating to IT maintenance and development, and staff secondment. The costs of these agreements incurred by Budimex SA in 2019 were PLN 6 578 thousand and PLN 4 215 thousand, respectively, while in 2018: PLN 5 709 thousand and PLN 5 220 thousand respectively.

On 29 October 2012, Budimex SA concluded with Ferrovial Agroman SA a conditional agreement for operational know-how support, streamlining of processes and procedures in the key areas of construction, investment and management activity. On 28 March 2017, Budimex SA signed another agreement which was to be valid from 1 January 2017 for the next 5 years. The principles of consideration determining has remained unchanged, the consideration is paid in the full amount despite non-authorization of the BAPA agreement. Due to the execution of these agreements, Budimex SA incurred in 2018 costs in the total amount of PLN 34 210 thousand.

On 24 September 2019, Budimex SA concluded another agreement which terminated the license agreement of 28 March 2017 and determined the new rules for the settlement of license fee paid to Ferrovial Agroman SA for the period from 1 January 2012 to the date of agreement concluding. At the same time, on the same date, Budimex SA concluded with Ferrovial Agroman SA a new license agreement with effect from 1 January 2018. Under this new agreement, Ferrovial Agroman granted to Budimex a license for industrial intangible assets that support the main business of Budimex in the area of all construction works and infrastructure management. As a result of prior years' settlement, Agroman SA returned to Budimex SA the amount of PLN 29 382 thousand, whilst charging Budimex with the amount of PLN 22 246 thousand for 2019.

40. Emoluments of key members of management

Management Board

In 2019 the total value of remuneration, bonuses and awards for the members of the Management Board of Budimex SA amounted to PLN 10 583 thousand (of which, PLN 3 397 thousand represented performance bonus for completing the tasks scheduled for 2018), of which PLN 9 368 thousand was recognised as costs of Budimex SA. The remaining balance was recognised as costs of its subsidiaries.

In 2018 the total value of remuneration, bonuses and awards for the members of the Management Board of Budimex SA amounted to PLN 12 423 thousand (of which, PLN 4 278 thousand represented performance bonus for completing the tasks scheduled for 2017), of which PLN 11 052 thousand was recognised as costs of Budimex SA. The remaining balance was recognised as costs of its subsidiaries.

In 2019, remuneration of Management Board members was as follows:

Dariusz Blocher	PLN 2 541 thousand
Henryk Urbański	PLN 1 215 thousand
Marcin Węgłowski	PLN 1 210 thousand
Jacek Daniewski	PLN 1 107 thousand
Cezary Mączka	PLN 1 098 thousand
Radosław Górski	PLN 1 617 thousand*
Artur Popko	PLN 1 795 thousand

*incl. of PLN 219 thousand arising from non-competition clause.

Additionally, apart from the amounts presented above, in the 12-month period ended 31 December 2019, the estimated costs of share-based payment under Ferrovial SA incentive programs allocated to the Company's Management Board amounted to PLN 1 743 thousand (of which PLN 1 577 thousand was charged to the costs of Budimex SA, and the remaining – to the costs of subsidiary companies) and were distributed as follows:

Dariusz Blocher	PLN 841 thousand
Henryk Urbański	PLN 166 thousand
Marcin Węgłowski	PLN 162 thousand
Jacek Daniewski	PLN 162 thousand
Cezary Mączka	PLN 161 thousand
Radosław Górski	PLN 9 thousand
Artur Popko	PLN 242 thousand

The above costs consist of: 2/36th of the cost of shares granted in 2016, 12/36th of the cost of shares granted in 2017, 12/36th of the cost of shares granted in 2018 and 10/36th of the cost of shares granted in 2019.

The three-year vesting period for the shares granted in 2016 ended in March 2019. As the conditions of the incentive program were satisfied, the shares in Ferrovial SA have been formally transferred. The number of shares actually transferred to the members of the Company's Management Board was as follows:

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

Dariusz Blocher	10 438 shares
Henryk Urbański	2 958 shares
Marcin Węgłowski	2 030 shares
Jacek Daniewski	2 030 shares
Cezary Mączka	1 914 shares
Radosław Górski	1 972 shares
Artur Popko	2 320 shares.

The market value of the Ferrovial SA share at the actual transfer date was PLN 88.72.

Proxies

The total value of remuneration paid to proxies of Budimex SA in 2019 was PLN 808 thousand, while in 2018 - PLN 888 thousand.

Individual remuneration of proxies in 2019 was as follows:
Piotr Świecki PLN 808 thousand.

Additionally, apart from the amounts presented above, in the 12-month period ended 31 December 2019, the estimated cost of share-based payment under Ferrovial SA incentive programs allocated to the Company's proxy, Piotr Świecki, amounted to PLN 121 thousand.

Due to satisfying the incentive program conditions after the three-year vesting period for the shares granted in 2016 has lapsed, Ferrovial SA formally transferred 1 508 shares to the proxy of Budimex SA, Piotr Świecki. The market value of the Ferrovial SA share at the actual share transfer date was PLN 88.72.

Supervisory Board

The total value of remuneration paid in 2019 to the members of Supervisory Board of Budimex SA amounted to PLN 1 569 thousand (PLN 1 377 thousand in 2018).

In 2019, remuneration of Supervisory Board members of Budimex SA was as follows:

Marek Michałowski	PLN 232 thousand	
Igor Chalupec	PLN 159 thousand	
Juan Ignacio Gastón Najarro	PLN 152 thousand	
Javier Galindo Hernandez	PLN 159 thousand	
Jose Carlos Garrido-Lestache Rodriguez	PLN 140 thousand	
Marzenna Anna Weresa	PLN 155 thousand	
Piotr Kamiński	PLN 66 thousand	(until 16 May 2019)
Fernando Luis Pascual Larragoiti	PLN 152 thousand	
Janusz Dedo	PLN 148 thousand	
Danuta Dąbrowska	PLN 113 thousand	(from 16 May 2019)
Agnieszka Słomka-Gołębiewska	PLN 93 thousand	(from 16 May 2019)

41. Advance payments, loans, guarantees and sureties and other agreements with Members of the Management or Supervisory Boards

As at 31 December 2019 and 31 December 2018, members of the Management or Supervisory Boards of the Company, their spouses, close relatives, in-laws, adopted persons and adoptive parents, and other persons who are related to them in person did not have any unpaid loans or borrowings or guarantees issued by Budimex SA or its subsidiaries, jointly controlled entities or associates, and were not parties to any agreements obligating them to provide services to Budimex SA or its subsidiaries, jointly controlled entities or associates.

42. Leases

a) The character of lease-related activities of the Company was described in note 21.2.

b) The cost of depreciation of right-of-use assets was disclosed in note 10 (right-of-use assets under property, plant and equipment) and in note 11 (right-of-use assets under investment property).

c) The cost of lease-related interest was disclosed in note 34.

d) The cost of short-term leases recognized in accordance with IFRS 16.6 amounted in 2019 to PLN 270 550 thousand.

e) The cost related to lease of low-value assets recognized in accordance with IFRS 16.6 amounted in 2019 to PLN 81 803 thousand.

f) The Company did not earn any revenues from the sub-lease of right-of-use assets.

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

g) The total outflow of cash in connection with lease amounted in 2019 to PLN 409 666 thousand (of which: PLN 52 769 thousand – related to the principal of lease instalments; PLN 4 544 thousand – to interest of lease installments; PLN 352 353 thousand – payments relating to short-term leases and low-value assets recognized under cash flow from operating activities).

h) The Company did not make any sale and leaseback transactions in 2019.

i) The carrying amount of right-of-use assets as at 31 December 2019 analysed by class of the underlying assets and increases in the right-of-use assets were disclosed in note 10.

j) The portfolio of short-term leases to which the Company is obligated as at 31 December 2019 does not differ materially from the portfolio of short-term leases, to which the cost of short-term leases referred to in point c) refers. Therefore, the Company estimates that the value of future payments, to which it is obligated under short-term leases recognised in accordance with IFRS 16.6 should not materially differ from that for 2019, on the assumption of retaining the same scale of operations and used technology.

k) Lease instalments paid by the Company are partially calculated based on variable interest rate (WIBOR/ EURIBOR, as appropriate). The analysis of sensitivity to interest rate fluctuations was disclosed in note 8.

l) According to the Company's estimates, it is not exposed to future outflows that would not be included in valuation of lease liabilities.

m) The reconciliation of future payments to which the Company was obligated as at 31 December 2018 under operating leases disclosed in accordance with IAS 17, discounted using the incremental borrowing rate prevailing at the date of first-time application [of IFRS 16], and lease liabilities as at 1 January 2019 is as follows:

	1 January 2019
Future undiscounted operating lease payments as at 31 December 2018, of which:	64 239
- operating lease payments	*56 901*
- payments under perpetual usufruct	*7 338*
Payments relating to short-term leases completing in 2019	(20 040)
Payments relating to fees which did not become lease elements (service fees)	(7 614)
Effect of discount	(5 325)
Other	(795)
Total (note 4)	**30 465**

43. Capital expenditure incurred and planned

Capital expenditure incurred in 2019 amounted to PLN 328 478 thousand, and included the amount of PLN 92 796 for the purchase of non-financial long-term assets. In 2018, capital expenditure amounted to PLN 104 194 thousand, and included the amount of PLN 97 134 for the purchase of non-financial long-term assets. In both periods, the expenditure did not relate to environmental protection.

Capital expenditure planned to be incurred in 2020 for non-financial long-term assets amount to approx. PLN 30 000 thousand. No expenditure is planned for environmental protection.

44. (Off-balance sheet) investment expenditure

As at 31 December 2019, contractual investment expenditure amounted to PLN 212 thousand (as at 31 December 2018: PLN 784 thousand) and related to the purchase of road equipment.

45. Events after the reporting date

In connection with the progressive spread of the COVID-19 coronavirus, in accordance with the decision of the Management Board of Budimex SA, the Company continues its operations unchanged. The situation is dynamic and depends on the recommendations of national authorities, which may result in the introduction of contingency plans. A Crisis Committee was established which reports to the Management Board daily. To date, no case of COVID-19 coronavirus infection has been reported among employees, subcontractors and their family members. There is a potential supply chain risk that could result in contractual deadlines being missed. Currently, the potential financial effects remain difficult to assess from the Company's perspective.

Until the date of the publication of these financial statements there were no other significant events that should be subject to disclosure.

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

46. Contingent assets and contingent liabilities

	31 December 2019	31 December 2018
1. Contingent assets	**550 283**	**570 435**
1.1. From related entities (affiliates)	2 080	1 693
- guarantees and sureties received	-	-
- bills of exchange received as security	2 080	1 693
- other contingent assets	-	-
1.2. From other entities	548 203	556 742
- guarantees and sureties received	544 100	552 442
- bills of exchange received as security	4 103	4 300
1.3. Other	-	12 000
- other contingent assets	-	12 000
2. Contingent liabilities	**3 975 219**	**3 622 927**
2.1. To related entities (affiliates)	588 816	326 116
- guarantees and sureties issued	588 816	326 116
2.2. To other entities	3 386 236	3 296 811
- guarantees and sureties issued	3 367 913	3 284 159
- bills of exchange issued as security	18 323	12 652
2.3. Other	167	-
- other contingent liabilities	167	-
Total contingent liabilities and assets	**(3 424 936)**	**(3 052 492)**

Contingent assets arising from guarantees and sureties represent guarantees issued by banks or other entities in favour of the Company 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 the Company 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 financial statements.

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

47. Employment structure

As at 31 December 2019 and 31 December 2018, the employment structure of Budimex SA was as follows

Employment group	31 December 2019	31 December 2018
White-collar employees	3 439	3 584
Blue-collar employees	2 163	2 414
Total	**5 602**	**5 998**

48. Significant events with an impact on the Company's position

On 23 January 2010, the Management Board of Budimex SA learned that the condition determining the construction and operation of the A1 highway between Stryków and Pyrzowice in the concession system in accordance with the agreement signed on 22 January 2009 between Autostrada Południe SA and the State Treasury did not materialise. Due to the above, Phase II (referring to construction work) of the agreement concluded on 19 January 2010 by and between Budimex SA Ferrovial Agroman SA Sp. J. (formerly: Budimex Dromex SA Ferrovial Agroman SA Sp. J.) and Autostrada Południe SA for the design and construction of a section of the A1 highway between Stryków and Pyrzowice did not become effective. Phase I covered the design work with a value of PLN 180 000 thousand, which commenced in 2009 pursuant to the preliminary agreement concluded by Autostrada Południe SA, Budimex Dromex SA and Ferrovial Agroman SA on 30 May 2008.

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

In March 2010, the Management Board of Budimex SA learned that the project design documentation prepared by Spółka Jawna on behalf of Autostrada Południe SA had not been accepted by the Ministry of Infrastructure. Due to the above, there is a risk that the full amount of contract costs incurred by that company (in which Budimex SA holds 50% of shares) will not be recovered from Autostrada Południe SA unless it is proved that the lack of payments in favour of Autostrada Południe SA from the State Treasury does not result from a defect in the project design delivered by Spółka Jawna, or that the defects are the consequence of the requirements of Autostrada Południe SA, different from the requirements of the State Treasury as an investor.

On 21 December 2011, Autostrada Południe SA instituted a claim against the State Treasury represented by the Ministry of Transportation, Construction and Naval Economy, calling for payment of PLN 176 855 thousand regarding design works performed by Spółka Jawna. In 2012 and 2013, partial hearing of evidence and witness interrogation took place, and an expert opinion was drafted. Autostrada Południe SA submitted a request for a supplementary opinion which was prepared and delivered to the parties in October 2014. As follows from the opinion, all stages of design works with respect to which the claimant demands payment were performed, and thus the comments of the former expert were not justified. After that, in October 2015, the court concurred with the defendant's request to examine another witness, as a result of which the necessity arose to draft another supplementary expert opinion. The supplementary expert opinion was filed with the court in October 2018 and was favourable to Autostrada Południe SA. Asa result of two trials in 2019, during which the court heard a representative of the Institute (i.e. of the Faculty of Construction Installation of Hydro and Environmental Engineering Department of Warsaw University of Technology) appointed to draft an opinion in said matter, the court eventually admitted evidence from the opinion favourable to Autostrada Południe SA. As a result of this decision, the State Treasury proposed to start settlement discussions with Autostrada Południe SA. These were initiated at the beginning of 2020 and are currently in the initial phase. Assuming the good will of both parties, settlement discussions should be completed later this year.

The share of Budimex SA in total revenue recognised by Spółka Jawna in prior years in connection with performed design works (including the anticipated risks) amounted to PLN 72 505 thousand. Spółka Jawna made an impairment write-down against receivables due from Autostrada Południe SA, of which PLN 39 850 thousand was attributable to Budimex SA, and recognised a provision representing a liability regarding compensations in favour of Autostrada Południe SA, of which PLN 12 655 thousand was attributable to Budimex SA.

Warsaw, 23 March 2020

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