



THE BUDIMEX GROUP

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for III quarters of 2019

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

The BUDIMEX Group

The condensed consolidated financial statements for III quarters of 2019 prepared in accordance with International Financial Reporting Standards



(all amounts are expressed in PLN thousand)

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Consolidated statement of financial position

ASSETS	30 September 2019 <i>not audited</i>	31 December 2018 <i>audited</i>
Non-current (long-term) assets		
Property, plant and equipment	491 542	258 123
Investment properties	42 437	28 365
Intangible assets	138 273	28 389
Goodwill of subordinated entities	154 446	73 237
Investments in equity accounted entities	2 089	37 427
Investments in equity instruments	9 848	9 778
Retentions for construction contracts	51 609	49 103
Trade and other receivables	22 570	21 807
Receivables from service concession agreement	46 705	46 416
Other financial assets	-	74 145
Deferred tax assets	400 544	361 851
Total non-current (long-term) assets	1 360 063	988 641
Current (short-term) assets		
Inventories	1 962 807	1 611 813
Trade and other receivables	1 137 197	819 300
Retentions for construction contracts	43 522	28 311
Valuation of construction contracts	814 577	561 537
Current tax assets	1 005	33 102
Other financial assets	1 180	4 495
Cash and cash equivalents	842 535	1 409 152
Total current (short-term) assets	4 802 823	4 467 710
TOTAL ASSETS	6 162 886	5 456 351

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Consolidated statement of financial position (cont.)

EQUITY AND LIABILITIES	30 September 2019 <i>not audited</i>	31 December 2018 <i>audited</i>
Equity		
Issued capital	145 848	145 848
Share premium	87 163	87 163
Other reserves	1 600	1 600
Cumulative translation differences	7 613	6 947
Retained earnings	478 080	501 783
Shareholders' equity attributable to the shareholders of the Parent	720 304	743 341
Equity attributable to non-controlling interests	20 387	7 136
Total equity	740 691	750 477
Liabilities		
Non-current (long-term) liabilities		
Loans, borrowings and other external sources of finance	264 700	184 110
Retentions for construction contracts	216 371	222 751
Provision for long-term liabilities and other charges	423 417	367 306
Retirement benefits and similar obligations	13 237	12 639
Other financial liabilities	28 001	2 015
Deferred tax liabilities	17 574	-
Total non-current (long-term) liabilities	963 300	788 821
Current (short-term) liabilities		
Loans, borrowings and other external sources of finance	187 211	54 823
Trade and other payables	1 754 919	1 720 438
Retentions for construction contracts	215 804	214 866
Provisions for construction contract losses	232 173	158 035
Valuation of construction contracts	600 164	575 183
Deferred income	1 178 838	996 224
Provision for short-term liabilities and other charges	226 879	187 938
Current tax liability	60 760	6 846
Retirement benefits and similar obligations	1 412	1 412
Other financial liabilities	735	1 288
Total current (short-term) liabilities	4 458 895	3 917 053
Total liabilities	5 422 195	4 705 874
TOTAL EQUITY AND LIABILITIES	6 162 886	5 456 351

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Consolidated income statement

	Note	9-month period ended 30 September		3-month period ended 30 September	
		2019 <i>not audited</i>	2018 <i>not audited</i>	2019 <i>not audited</i>	2018 <i>not audited</i>
Continuing operations					
Net sales of finished goods, goods for resale, raw materials and services	4, 9	5 382 556	5 389 675	2 134 135	2 087 014
Cost of finished goods, goods for resale, raw materials and services sold		(5 028 765)	(4 943 962)	(1 989 725)	(1 927 792)
Gross profit on sales		353 791	445 713	144 410	159 222
Selling expenses	4	(21 980)	(22 081)	(7 892)	(7 211)
Administrative expenses	4	(128 347)	(164 856)	(21 259)	(54 318)
Other operating income	5	63 746	35 991	23 263	11 727
Other operating expenses	5	(43 671)	(27 062)	(26 365)	(11 839)
Profit from the sale of subsidiaries		-	44 011	-	44 011
Operating profit		223 539	311 716	112 157	141 592
Finance income	6	18 245	22 903	5 403	5 615
Finance costs	6	(33 296)	(29 394)	(12 256)	(9 016)
Share in net profits/(losses) of equity accounted subordinates		4 777	(1 217)	17	2 456
Gross profit		213 265	304 008	105 321	140 647
Income tax	7	(74 227)	(73 188)	(38 816)	(37 915)
Net profit from continuing operations		139 038	230 820	66 505	102 732
Net profit for the period		139 038	230 820	66 505	102 732
<i>of which:</i>					
Attributable to the shareholders of the Parent		137 136	230 707	65 032	102 660
<i>Attributable to non-controlling interests</i>		<i>1 902</i>	<i>113</i>	<i>1 473</i>	<i>72</i>
<i>Basic and diluted earnings per share attributable to the shareholders of the Parent (in PLN)</i>		<i>5.37</i>	<i>9.04</i>	<i>2.55</i>	<i>4.02</i>

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Consolidated statement of comprehensive income

	9-month period ended 30 September		3-month period ended 30 September	
	2019	2018	2019	2018
	<i>not audited</i>		<i>not audited</i>	
Net profit for the period	139 038	230 820	66 505	102 732
Other comprehensive income which:				
<i>Items to be reclassified to profit or loss upon satisfaction of certain conditions:</i>				
Cumulative translation differences	666	1 393	553	(209)
Income tax related to components of other comprehensive income	-	-	-	-
<i>Items not to be subsequently reclassified to profit or loss:</i>				
Actuarial gains/(losses)	-	-	-	-
Income tax related to components of other comprehensive income	-	-	-	-
Other comprehensive income, net	666	1 393	553	(209)
Total comprehensive income for the period	139 704	232 213	67 058	102 523
<i>Of which:</i>				
Attributable to the shareholders of the Parent	137 802	232 100	65 585	102 451
<i>Attributable to non-controlling interests</i>	<i>1 902</i>	<i>113</i>	<i>1 473</i>	<i>72</i>

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Consolidated statement of changes in equity

	Equity attributable to the shareholders of the Parent					Retained earnings	Total	Non-controlling interests	Total equity
	Issued capital	Share premium	Other reserves		Cumulative translation differences				
			Share-based payments	Actuarial gains/(losses)					
Balance as at 1 January 2019 <i>audited</i>	145 848	87 163	7 171	(5 571)	6 947	501 783	743 341	7 136	750 477
Profit for the period	-	-	-	-	-	137 136	137 136	1 902	139 038
Other comprehensive income	-	-	-	-	666	-	666	-	666
Total comprehensive income	-	-	-	-	666	137 136	137 802	1 902	139 704
Payment of dividend by Budimex SA	-	-	-	-	-	(160 839)	(160 839)	-	(160 839)
Change in the structure of the Group	-	-	-	-	-	-	-	12 525	12 525
Payment of dividend to non-controlling shareholder	-	-	-	-	-	-	-	(1 176)	(1 176)
Balance as at 30 September 2019 <i>not audited</i>	145 848	87 163	7 171	(5 571)	7 613	478 080	720 304	20 387	740 691

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Consolidated statement of changes in equity (cont.)

	Equity attributable to the shareholders of the Parent Company						Total	Non-controlling interests	Total equity
	Issued capital	Share premium	Other reserves		Cumulative translation differences	Retained earnings			
			Share-based payments	Actuarial gains/(losses)					
Balance as at 1 January 2018 <i>audited</i>	145 848	87 163	7 171	(4 614)	5 342	640 533	881 443	685	882 128
Profit for the period	-	-	-	-	-	230 707	230 707	113	230 820
Other comprehensive income	-	-	-	-	1 393	-	1 393	-	1 393
Total comprehensive income	-	-	-	-	1 393	230 707	232 100	113	232 213
Payment of dividend by Budimex SA	-	-	-	-	-	(449 585)	(449 585)	-	(449 585)
Payment of dividend to non-controlling shareholders	-	-	-	-	-	-	-	(134)	(134)
Disposal of subsidiary companies	-	-	-	-	-	-	-	(664)	(664)
Balance as at 30 September 2018 <i>not audited</i>	145 848	87 163	7 171	(4 614)	6 735	421 655	663 958	-	663 958
Profit for the period	-	-	-	-	-	74 717	74 717	(53)	74 664
Other comprehensive income	-	-	-	(957)	212	-	(745)	-	(745)
Total comprehensive income	-	-	-	(957)	212	74 717	73 972	(53)	73 919
Sale of a non-controlling interest of subsidiary	-	-	-	-	-	5 411	5 411	7 189	12 600
Balance as at 31 December 2018 <i>audited</i>	145 848	87 163	7 171	(5 571)	6 947	501 783	743 341	7 136	750 477

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Consolidated statement of cash flows

	9-month period ended 30 September	
	2019	2018
	<i>not audited</i>	
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	213 265	304 008
Adjustments for:		
Depreciation/ amortization	71 766	37 504
Share in net (profits)/ losses of equity accounted companies	(4 777)	1 217
Foreign exchange (gains)/ losses	(506)	(658)
Interest and shares in profits (dividends)	5 024	(1 954)
(Profit)/ loss on investing activities	(2 643)	(46 853)
Change in valuation of derivative financial instruments	4 220	760
Change in provisions and liabilities arising from retirement benefits and similar obligations	70 424	73 727
Other adjustments	538	1 481
Operating profit before changes in working capital	357 311	369 232
Change in receivables and retentions for construction contracts	(240 927)	(220 509)
Change in inventories	(254 081)	(150 581)
Change in retentions for construction contracts and in liabilities, except for loans and borrowings	(67 537)	50 014
Change in deferred income	182 143	(240 606)
Change in valuation of construction contracts and in provision for losses	(153 921)	(931 752)
Change in cash and cash equivalents of restricted use	(3 922)	15 053
Cash flow used in operating activities	(180 934)	(1 109 149)
Income tax paid	(27 770)	(8 985)
NET CASH USED IN OPERATING ACTIVITIES	(208 704)	(1 118 134)

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Consolidated statement of cash flows (continued)

	9-month period ended 30 September	
	2019	2018
	<i>not audited</i>	
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of intangible assets and property, plant and equipment	2 781	11 107
Proceeds from sale of investment property	4 365	-
Purchase of intangible assets and property, plant and equipment	(19 297)	(14 843)
Purchase of investment property	(7 759)	-
Sales of subsidiaries	-	34 511
Purchase of shares in related entities	(44 365)	-
Purchase of shares in non-consolidated and jointly controlled entities	(143)	(1 060)
Purchase of bonds issued by banks	-	(238 868)
Proceeds from bonds issued by banks	-	516 877
Loans granted	-	(6 860)
Dividends received	2	-
Interest received	2 103	5 131
NET CASH FROM INVESTING ACTIVITIES	(62 313)	305 995
CASH FLOW FROM FINANCING ACTIVITIES		
Loans and borrowings received	13 655	-
Repayment of loans and borrowings	(88 858)	(726)
Dividends paid to the shareholders of the Parent	(160 839)	(449 585)
Dividends paid to non-controlling shareholders	(1 176)	(134)
Payment of lease liabilities	(52 181)	(18 200)
Interest paid	(10 122)	(3 121)
Other finance expenditure	(484)	(487)
NET CASH USED IN FINANCING ACTIVITIES	(300 005)	(472 253)
TOTAL NET CASH FLOW	(571 022)	(1 284 392)
Foreign exchange differences on cash and cash equivalents, net	483	869
CASH AND CASH EQUIVALENTS - OPENING BALANCE (note 3.3)	1 268 028	1 961 849
CASH AND CASH EQUIVALENTS - CLOSING BALANCE (note 3.3)	697 489	678 326

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

1.1. The Parent Company

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

The main areas of the business activities of the Group are widely understood construction-assembly services realized in the system of general execution at home and abroad, developer activities, property management, and services, trading, production and other business. Budimex SA serves in the Group as an advisory, management and financial centre. Realization of these three functions is to facilitate:

- efficient flow of information within Group structures,
- strengthening the efficiency of cash and financial management of individual Group companies,
- strengthening market position of the entire Group.

1.2. Entities subject to consolidation

As at 30 September 2019, 31 December 2018 and 30 September 2018 the following entities were subject to consolidation:

Company name	Registered office	% in the share capital as at		
		30 September 2019	31 December 2018	30 September 2018
Parent company:				
Budimex SA	Warsaw / Poland			
Subsidiaries:				
Mostostal Kraków SA	Cracow / Poland	100.00%	100.00%	100.00%
Mostostal Kraków Energetyka Sp. z o.o.	Cracow / Poland	100.00%	100.00%	100.00%
Budimex Bau GmbH	Cologne/ Germany	100.00%	100.00%	100.00%
Budimex Nieruchomości Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
Budimex Budownictwo Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
SPV-PIM1 Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
Budimex Kolejnictwo SA	Warsaw / Poland	100.00%	100.00%	100.00%
Budimex Parking Wrocław Sp. z o.o.	Warsaw / Poland	51.00%	51.00%	100.00%
FBSerwis SA*	Warsaw / Poland	100.00%		
FBSerwis A Sp. z o.o.*	Warsaw / Poland	100.00%		
FBSerwis B Sp. z o.o.*	Warsaw / Poland	100.00%		
FBSerwis Karpatia Sp. z o.o.*	Tarnów / Poland	100.00%		
FBSerwis Wrocław Sp. z o.o.*	Bielany Wrocławskie/Poland	100.00%		
FBSerwis Dolny Śląsk Sp. z o.o.*	Ścinawka Dolna/ Poland	100.00%		
FBSerwis Kamieński Sp. z o.o.*	Kamieński/ Poland	80.00%		

* Budimex SA bought 51% of shares in FBSerwis SA on 3 July 2019 and thus took over control of the company and its subsidiaries. Details are described in note 1.3.

As at 30 September 2019, 31 December 2018 and 30 September 2018 stand-alone data of Budimex SA and other Group companies, which are partners in consortiums (treated as joint operations according to IFRS 11), included their share in assets, liabilities, revenue and expenses of the following joint operations:

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Joint operation name	Share in the issued capital and in the number of votes (%)		
	30 September 2019	31 December 2018	30 September 2018
Budimex SA Energetyka 3 Sp.j.	100.00%*	50.00%	50.00%
Budimex SA Ferrovial Agroman SA s.c.	99.98%	99.98%	99.98%
Budimex SA Cadagua SA II s.c.	99.90%	99.90%	99.90%
Budimex SA Cadagua SA III s.c.	99.90%	99.90%	99.90%
Budimex SA Cadagua SA IV s.c.	99.90%	99.90%	99.90%
Budimex SA Cadagua SA V s.c.	99.90%	99.90%	99.90%
Budimex SA Ferrovial Agroman SA 2 s.c.	95.00%	95.00%	95.00%
Budimex SA Sygnity SA Sp. j.	67.00%	67.00%	67.00%
Budimex SA Ferrovial Agroman SA Sp. j.	50.00%	50.00%	50.00%
Budimex SA Tecnicas Reunidas SA Turów s.c.	50.00%	50.00%	50.00%
Budimex SA Budimex Budownictwo Sp. z o.o. s.c.***	-	100,00%	100,00%
Budimex SA Energetyka 1 Sp.j.**	-	50.00%	50.00%
Budimex SA Energetyka 2 Sp.j.**	-	50.00%	50.00%

* On 2 January 2019, Budimex A Sp. z o.o. and Budimex PPP SA (not included in the consolidation scope due to their immateriality) signed an agreement on the disposal of all rights and obligations arising from participation in Budimex SA Energetyka 2 s.j. and Budimex SA Energetyka 3 s.j., respectively, in favour of Budimex Budownictwo Sp. z o.o. (included in the consolidation scope).

**on 13 August 2019, the partners of the companies Budimex SA Energetyka 1 Sp. j. and Budimex SA Energetyka 2 Sp.j. adopted resolutions on liquidation of companies without conducting liquidation proceedings. Budimex SA Energetyka 1 Sp.j. was removed from the National Court Register on 25 September 2019, while the company Budimex SA Energetyka 2 Sp.j. on 9 October 2019.

*** on 20 September 2019, the partners of the company Budimex SA Budimex Budownictwo Sp. z o.o. s.c. adopted a resolution to dissolve the company due to the achievement of the economic purpose for which the company was founded.

As at 30 September 2019, 31 December 2018 and 30 September 2018 equity accounted companies included:

Entity name	Share		
	30 September 2019	31 December 2018	30 September 2018
FBSerwis Group	-	49,00%	49,00%
PPHU Promos Sp. z o.o.	26,31%	26,31%	26,31%

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

In the period of 9 months of 2019 the following companies were liquidated/ dissolved: Budimex SA Energetyka 1 Sp.j., Budimex SA Energetyka 2 Sp.j. and Budimex SA Budimex Budownictwo Sp. z o.o. s.c.. Details are described above in note 1.2.

Purchase of controlling interest in FBSerwis SA

On 3 July 2019 Budimex SA concluded with Ferrovial Services International SE a disposing agreement transferring the ownership of 89 760 shares of FBSerwis SA, representing 51% of the share capital of FBSerwis SA with a nominal value of PLN 500.00 per share, entitling to exercise 89 760 votes at the General Meeting, i.e. 51% of votes at this meeting, for the price of PLN 98 500 thousand. As a result of the transaction, Budimex SA holds all shares of FBSerwis SA, which together constitute a 100% share in the share capital of FBSerwis SA and entitle them jointly to exercise 100% votes at the General Meeting of FBSerwis SA. This means that on 3 July 2019, Budimex SA gained control over the companies included in the FBSerwis SA Group. As at 30 June 2019, Budimex SA held 49.00% of shares in FBSerwis SA, which was an associated company as at that date.

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Taking control over FBSerwis SA is of a long-term nature and is part of the Budimex Group development strategy. FBSerwis SA and its subsidiaries mainly deal with municipal waste management, comprehensive road maintenance and technical maintenance of buildings.

As at the date of these condensed consolidated financial statements the fair value of net assets, non-controlling interests and the fair value of remuneration in part of the investment held before the acquisition were determined provisionally in accordance with IFRS 3, paragraph 45. The reason for it was a short period of time that elapsed from the moment of purchase to the date of approval of these condensed consolidated financial statements. Since the third quarter of 2019 is the first period in which the data of FBSerwis SA and its subsidiaries were included in the Budimex Group data, no adjustments were made for provisional (temporary) settlements.

Provisional fair values as at the moment of purchase are presented in the table below:

Consideration:

- cash paid at acquisition date	98 500
- fair value of shares in FBSerwis SA held thus far (provisionally determined)*	40 115
	<u>138 615</u>

*the value differs by PLN (11) thousand from the amount presented in the condensed consolidated report for the first half of 2019 due to the result adjustments for 6 months, introduced by the FBSerwis Group after the closing of the books by the Budimex Group

Net assets identified in the acquired entities (determined provisionally):

	<u>3 July 2019</u>
Non-current assets	
Intangible assets	115 057
Property, plant and equipment	162 838
Goodwill of subordinated entities	24 462
Other long-term assets	2 415
Current assets	
Trade and other receivables	88 225
Cash and cash equivalents	54 135
Other short-term assets	10 057
Non-current liabilities	
Loans, borrowings and other external sources of finance	(49 718)
Provision for long-term liabilities and other charges	(23 815)
Deferred tax liabilities	(17 569)
Other financial liabilities	(27 847)
Other long-term liabilities	(2 184)
Current liabilities	
Loans, borrowings and other external sources of finance	(150 885)
Trade and other payables	(87 250)
Other short-term liabilities	(3 528)
Acquired net assets at fair value determined provisionally	<u>94 393</u>
Non-controlling interest in the subsidiary of FBSerwis SA recognized at acquisition date	<u>12 525</u>
Goodwill identified on acquisition (provisionally determined)	<u>56 747</u>

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Purchase consideration in cash	(98 500)
Cash and cash equivalents in acquired entity at acquisition date	54 135
Cash outflow connected with acquisition	(44 365)

The value of the non-controlling interest was provisionally measured at the value of the proportional share in the fair value of net assets of FBSerwis Kamieński Sp. z o.o., a direct subsidiary of FBSerwis SA.

Goodwill identified on the acquisition (provisionally determined) amounted to PLN 56 747 thousand. In addition, Budimex Group provisionally recognized goodwill in the amount of PLN 24 462 thousand, previously recognized by FBSerwis SA on the acquisition of its subsidiaries. Both recognized components of goodwill did not change in the period from the acquisition date to 30 September 2019. Goodwill was determined as the difference between the consideration paid and the fair value of net assets (all values recognized provisionally). The Group has not yet assessed whether the goodwill consists of, among others, intangible assets not eligible for separate recognition.

Sales revenue of the FBSerwis Group for the period from acquisition date to 30 September 2019	131 486
Net profit attributable to the parent company of the FBSerwis Group for the period from acquisition date to 30 September 2019	10 220
Sales revenue of the FBSerwis Group for the period from the beginning of the year to 30 September 2019	354 405
Net profit attributable to the parent company of the FBSerwis Group for the period from the beginning of the year to 30 September 2019	20 506

The gross value of receivables as at the acquisition date was PLN 89 394 thousand, while the value of unrecoverable debts written down amounted to PLN 1 169 thousand.

Acquisition related costs amounted to PLN 240 thousand.

In connection with the acquisition of the controlling interest in FBSerwis SA, no liabilities related to contingent consideration or indemnification assets were recognized.

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

2. Shareholders of the Parent Company

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

Shareholder	Type of shares	Number of shares	% of the share capital	Number of votes	% of voting rights at the AGM
Valivala Holdings B.V. Amsterdam (the Netherlands) - Ferrovial Group company (Spain)	ordinary	14 078 159	55.14%	14 078 159	55.14%
Aviva OFE Aviva BZ WBK	ordinary	2 552 000	10.00%	2 552 000	10.00%
Nationale-Nederlanden OFE	ordinary	1 360 000	5.33%	1 360 000	5.33%
Other shareholders	ordinary	7 539 939	29.53%	7 539 939	29.53%
Total		25 530 098	100.00%	25 530 098	100.00%

The above data presents the shareholding structure as at the last General Meeting of Shareholders of 16 May 2019.

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According to the information held by Budimex SA, the shareholding structure of Budimex SA as at 31 December 2018 was as follows:

Shareholder	Type of shares	Number of shares	% of the share capital	Number of votes	% of voting rights at the AGM
Valivala Holdings B.V. Amsterdam (the Netherlands) - Ferrovial Group company (Spain)	ordinary	14 078 159	55.14%	14 078 159	55.14%
Aviva OFE Aviva BZ WBK	ordinary	2 490 000	9.75%	2 490 000	9.75%
Nationale-Nederlanden OFE	ordinary	1 360 000	5.33%	1 360 000	5.33%
Other shareholders	ordinary	7 601 939	29.78%	7 601 939	29.78%
Total		25 530 098	100.00%	25 530 098	100.00%

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

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

These condensed financial statements were prepared in accordance with IAS 34 "Interim Financial Reporting" and appropriate accounting standards applicable for preparation of the interim consolidated financial statements adopted by the European Union issued and effective when preparing the interim consolidated financial statements applying the same principles for the current and comparable period. Details of accounting policies adopted by the Group were described in the consolidated financial statements of the Group for the year ended 31 December 2018, published on 26 March 2019.

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

Standards, amendments to standards and interpretations applied for the first time in 2019

- IFRS 16 „Leases”,
- Amendments to IFRS 9 „Financial instruments” – Prepayment Features with Negative Compensation,
- Amendments to different standards to 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,
- Interpretation of IFRIC 23 „Uncertainty over Income Tax Treatments”.

The effect of the first application of IFRS 16 was described in the half-year condensed consolidated financial statements. The impact of application of other changes to standards and interpretations was not significant.

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

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

- IFRS 14 „Regulatory deferral accounts” – according to the European Commission’s decision the endorsement process of the standard will not be initiated until the final version of the standard has been published (effective for annual periods beginning on or after 1 January 2016),
- IFRS 17 „Insurance contracts” (effective for annual periods beginning on or after 1 January 2021),

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- 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 – the endorsement process has been postponed by the EU indefinitely – the effective date has been postponed by the IASB indefinitely,
- Amendments to IAS 1 „Presentation of Financial Statements” 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).

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

3.2. Changes in accounting principles and the method of preparation of financial statements

In the period covered by the report the Budimex Group applied for the first time IFRS 16 „Lease”. The Group applied the IFRS retrospectively with the cumulative effect of initially applying the standard at the date of initial application. Therefore the Group has not restated comparative information and instead has decided to adjust the opening balance of retained earnings at the date of initial application.

The main assumptions of the accounting policy adopted by the Group during the first application of IFRS 16 were included in the half-year condensed consolidated financial statements of the Group published on 23 August 2019.

3.3. Cash recognised in the cash flow statement

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

	30 September 2019	31 December 2018	30 September 2018
Cash recognised in the statement of financial position	842 535	1 409 152	828 263
Cash and cash equivalents of restricted use	(145 046)	(141 124)	(149 937)
Cash recognised in the statement of cash flow	697 489	1 268 028	678 326

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

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

In the nine months period of 2019 construction-assembly production in Poland expressed in current prices increased by 9.0% (an increase by 5.3% in fixed prices) compared to the corresponding period of the prior year, while sales of the construction segment of the Budimex Group on the home market were down 0.53% on the corresponding period.

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Net sales and profitability

	9 months ended			3 months ended		
	30 September 2019	30 September 2018	Change in %	30 September 2019	30 September 2018	Change in %
Net sales of finished goods and services	5 382 556	5 389 675	(0.13%)	2 134 135	2 087 014	2.26%
Gross profit on sales	353 791	445 713	(20.62%)	144 410	159 222	(9.30%)
Gross profitability on sales	6.57%	8.27%	(1.70 p.p.)	6.77%	7.63%	(0.86 p.p.)
Gross profit on sales in construction segment	259 474	353 310	(26.56%)	108 435	139 990	(22.54%)
Gross profitability on sales in construction segment	5.05%	6.93%	(1.88 p.p.)	5.39%	6.81%	(1.42 p.p.)
Gross profit on sales in developer segment	99 239	86 928	14.16%	28 954	20 714	39.78%
Gross profitability on sales in developer segment	23.49%	21.12%	2.37 p.p.	26.43%	25.64%	0.79 p.p.
Operating profit	223 539	311 716	(28.29%)	112 157	141 592	(20.79%)
Operating profitability	4.15%	5.78%	(1.63 p.p.)	5.26%	6.78%	(1.52 p.p.)
Net profit	139 038	230 820	(39.76%)	66 505	102 732	(35.26%)
Net profitability	2.58%	4.28%	(1.70 p.p.)	3.12%	4.92%	(1.80 p.p.)

Selling expenses and administrative expenses

	9 months ended			3 months ended		Change in %
	30 September 2019	30 September 2018	Change in %	30 September 2019	30 September 2018	
Selling expenses	(21 980)	(22 081)	(0.46%)	(7 892)	(7 211)	9.44%
Administrative expenses	(128 347)	(164 856)	(22.15%)	(21 259)	(54 318)	(60.86%)
Total selling & administrative expenses	(150 327)	(186 937)	(19.58%)	(29 151)	(61 529)	(52.62%)
Share of selling & administrative expenses in net sales of finished goods and services	2.79%	3.47%	(0.68 p.p.)	1.37%	2.95%	(1.58 p.p.)

5. Other operating income and expenses

Other operating income

	9 months ended		3 months ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
Reversal of impairment write-downs against receivables	8 095	1 351	776	842
Reversal of provisions for penalties and sanctions	13 112	7 317	5 841	1 237
Penalties/ compensations awarded	29 604	20 956	15 770	6 715
Statute-barred liabilities written-off	4 707	2 297	329	1 353
Gains on derivative financial instruments	3 656	912	81	816
Subsidies received	539	-	-	-
Gains on the sale of non-financial non-current assets	3 317	2 364	44	610
Other	716	794	422	154
Total	63 746	35 991	23 263	11 727

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Other operating expenses

	9 months ended		3 months ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
Impairment write-downs against receivables	(3 095)	(7 315)	343	(2 417)
Compensations and liquidated damages paid	(6 717)	(5 793)	(2 552)	(704)
Loss on derivative financial instruments	(3 087)	(1 005)	332	156
Court charges	(1 787)	(628)	(653)	(285)
Creation of provisions for penalties and sanctions	(27 798)	(9 246)	(23 204)	(6 972)
Donations	(662)	(1 588)	(229)	(735)
Other	(525)	(1 487)	(402)	(882)
Total	(43 671)	(27 062)	(26 365)	(11 839)

6. Finance income and costs

Finance income

	9 months ended		3 months ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
Interest earned	13 863	20 444	4 113	4 450
Valuation of receivables from service concession arrangement	2 151	1 804	717	715
Foreign exchange gains	573	367	573	367
Gains on derivative financial instruments	-	245	-	40
Other	1 658	43	-	43
Total	18 245	22 903	5 403	5 615

Finance costs

	9 months ended		3 months ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
Interest expense	(9 119)	(4 713)	(3 677)	(1 539)
Discount of retentions for construction contracts	(5 053)	(6 143)	(1 456)	(1 593)
Cost of bank commissions and guarantees	(17 353)	(17 957)	(6 462)	(5 887)
Loss on derivative financial instruments	(1 617)	(487)	(657)	(163)
Foreign exchange losses	-	-	125	185
Other	(154)	(94)	(129)	(19)
Total	(33 296)	(29 394)	(12 256)	(9 016)

All valued derivative instrument contracts (presented both in the operating and financing activity) were classified as level 2 in the fair value hierarchy. During the 9 months ended 30 September 2019, there was no transfer between Level 1 and Level 2 of fair value measurements, and no transfer into and out of Level 3 of fair value measurement. The fair value of financial instruments owned by the Group companies is similar to their carrying value.

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7. Other important information on activity of the Budimex Group in three quarters of 2019

Provisions for liabilities and other charges

	30 September 2019	31 December 2018
Provisions for litigation proceedings	23 771	23 870
Provisions for penalties and other sanctions	81 539	68 200
Provisions for warranty repairs	467 053	417 858
Other provisions	77 933	45 316
Total	650 296	555 244
<i>of which:</i>		
- long-term	423 417	367 306
- short-term	226 879	187 938

Income tax in the income statement

	30 September 2019	30 September 2018
Income tax – current	(112 909)	(65 678)
Income tax – deferred	38 682	(7 510)
Income tax in the income statement	(74 227)	(73 188)

Other information

	9 months ended	
	30 September 2019	30 September 2018
Reversal of impairment write-downs of inventories	7 695	10 622
Value of property, plant and equipment, investment property and intangible assets purchased or started to be leased:	148 347	95 129
- of which: increases due to first application of IFRS 16	47 618	-
- of which: plant and machinery	12 023	68 643

As at 30 September 2019 contractual obligations made by the Group for the purchase of property, plant and equipment amounted to PLN 12 251 thousand. Contractual obligations made by the Group for the purchase of property, plant and equipment as at 31 December 2018 amounted to PLN 784 thousand.

As in previous years, during three quarters of 2019 the Budimex Group companies recorded a decrease in the level of cash and cash equivalents. This is mainly related to the seasonal, negative change in working capital and payment of dividends made in June 2019. In the second and third quarters of each year the construction segment companies generate the largest throughputs on construction contracts, which translates into the need to commit temporarily their own funds due to the later moment of invoicing the works to investors and receiving receivables. Additionally, in the described period the Group companies made earlier payments to business partners, which translated into a decrease in the payables turnover ratio. The above factors resulted in an increase in under-billing (balance of valuation of construction contracts on the asset side), an increase in receivables and a slight decrease in the level of trade liabilities.

After taking control over the FBSerwis SA Group (details are disclosed in note 1.3), the Budimex Group consolidated 7 companies from the FBserwis Group. Thus, all loans granted to FBSerwis SA (constituting the items "other financial assets" in fixed and current assets) and all mutual settlements have been subject to consolidation eliminations. At the same time, the value of the item "Investments in equity accounted entities" decreased significantly and as at 30 September includes only the investment in the company PPHU Promos Sp. z o.o.

The increase in the balance of intangible assets is also associated with taking control over the FBSerwis Group (note 1.3). In turn, the increase in the value of the item "Property, plant and equipment" results both from taking control over

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the FBSerwis Group and the application of IFRS 16, which on the other hand also influenced the increase in the "Loans, borrowings and other external sources of finance" line, both on the long- and short-term liabilities.

8. Operating segments

For the management purposes the Group has been divided into segments based on the products and services offered. The Group operates in the following two operating segments:

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

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

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

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

- Budimex Nieruchomości Sp. z o.o.
- SPV-PIM 1 Sp. z o.o.
- Budimex SA in a part relating to developer business, as a result of merger with Budimex Inwestycje Sp. z o.o. on 13 August 2009
- Biuro Inwestycji "Grunwald" SA (sold on 17 September 2018).

The segment of services includes comprehensive services in the field of waste management, maintenance of road infrastructure, expansion and management lighting infrastructure and technical maintenance of real estate. The segment also includes other entities within the Group that conduct, among others, production, trading as well as activities under Public-Private Partnership. The following Group companies belong to this segment:

- Budimex Parking Wrocław Sp. z o.o.
- FBSerwis SA
- FBSerwis A Sp. z o.o.
- FBSerwis B Sp. z o.o.
- FBSerwis Dolny Śląsk Sp. z o.o.
- FBSerwis Wrocław Sp. z o.o.
- FBSerwis Karpatia Sp. z o.o.
- FBSerwis Kamieński Sp. z o.o.
- Elektromontaż Poznań SA (sold on 17 September 2018)
- Elektromontaż Import Sp. z o.o. (a subsidiary of Elektromontaż Poznań SA, sold on 17 September 2018)
- Instal Polska Sp. z o.o. (a subsidiary of Elektromontaż Poznań SA, sold on 17 September 2018)
- Elektromontaż Warszawa SA (a subsidiary of Elektromontaż Poznań SA, sold on 17 September 2018).

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

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The results of segments for nine months of 2019 are presented in the table below:

Segment name	Construction business	Property management and developer business	Services	Consolidation adjustments	Consolidated value
External sales	4 826 819	422 011	133 726	-	5 382 556
Inter-segment sales	309 127	437	249	(309 813)	-
Total sales of finished goods, goods for resale and raw materials	5 135 946	422 448	133 975	(309 813)	5 382 556
Gross profit	259 474	99 239	24 746	(29 668)	353 791
Selling expenses	(7 865)	(14 115)	-	-	(21 980)
Administrative expenses	(114 905)	(18 537)	(5 576)	10 671	(128 347)
Other operating income/ (expenses), net	16 379	4 706	(1 010)	-	20 075
Operating profit	153 083	71 293	18 160	(18 997)	223 539
Finance income/(costs), net	(12 983)	1 920	(3 942)	(46)	(15 051)
Shares in profits of equity accounted subordinates	-	-	4 777	-	4 777
Income tax expense	(62 194)	(14 056)	(1 597)	3 620	(74 227)
Net profit for the period	77 906	59 157	17 398	(15 423)	139 038

The results of segments for nine months of 2018 are presented in the table below:

Segment name	Construction business	Property management and developer business	Services	Consolidation adjustments	Consolidated value
External sales	4 893 306	410 941	85 428	-	5 389 675
Inter-segment sales	205 486	702	14 566	(220 754)	-
Total sales of finished goods, goods for resale and raw materials	5 098 792	411 643	99 994	(220 754)	5 389 675
Gross profit	353 310	86 928	13 896	(8 421)	445 713
Selling expenses	(7 340)	(10 987)	(3 754)	-	(22 081)
Administrative expenses	(152 919)	(17 690)	(4 030)	9 783	(164 856)
Other operating income/(expenses), net	9 738	(790)	(44)	25	8 929
Profit/(loss) on disposal of subsidiaries	-	(70)	44 081	-	44 011
Operating profit	202 789	57 391	50 149	1 387	311 716
Finance income/ (costs), net	(9 114)	1 775	1 131	(283)	(6 491)
Shares in (losses) of equity accounted subordinates	-	-	(1 217)	-	(1 217)
Income tax expense	(47 548)	(11 321)	(14 109)	(210)	(73 188)
Net profit for the period	146 127	47 845	35 954	894	230 820

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

9.1. Sales revenue, by type of good or service

During the period of nine months of 2019 net sales of finished goods, services, goods for resale and raw materials, by type of good or service, were as follows:

Segment name	Construction business	Property management and developer business	Services	Consolidation adjustments	Consolidated financial data
Sales of construction and assembly services	5 064 819	-	-	(298 613)	4 766 206
Sales of other services	31 062	6 567	133 975	(11 200)	160 404
Sales of finished goods	31 523	413 831	-	-	445 354
Sales of goods for resale and raw materials	8 542	2 050	-	-	10 592
Total sales of finished goods, goods for resale and raw materials	5 135 946	422 448	133 975	(309 813)	5 382 556

During the period of nine months of 2018 net sales of finished goods, services, goods for resale and raw materials, by type of good or service, were as follows:

Segment name	Construction business	Property management and developer business	Services	Consolidation adjustments	Consolidated financial data
Sales of construction and assembly services	5 026 119	-	92 815	(210 594)	4 908 340
Sales of other services	25 182	5 833	3 432	(10 160)	24 287
Sales of finished goods	41 752	403 953	3 651	-	449 356
Sales of goods for resale and raw materials	5 739	1 857	96	-	7 692
Total sales of finished goods, goods for resale and raw materials	5 098 792	411 643	99 994	(220 754)	5 389 675

9.2. Sales revenue, by geographical area

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

Segment name	Construction business	Property management and developer business	Services	Consolidation adjustments	Consolidated financial data
Poland	4 862 688	422 448	133 975	(309 813)	5 109 298
Germany	164 656	-	-	-	164 656
Other EU countries	102 485	-	-	-	102 485
Other countries*	6 117	-	-	-	6 117
Total sales of finished goods, goods for resale and raw materials	5 135 946	422 448	133 975	(309 813)	5 382 556

*other countries include Ukraine and Norway

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In the nine months of 2018 net sales of finished goods, services, goods for resale and raw materials, by geographical area, were as follows:

Segment name	Construction business	Property management and developer business	Services	Consolidation adjustments	Consolidated financial data
Poland	4 888 719	411 643	93 776	(220 754)	5 173 384
Germany	150 942	-	164	-	151 106
Other EU countries	58 805	-	3 095	-	61 900
Other countries*	326	-	2 959	-	3 285
Total sales of finished goods, goods for resale and raw materials	5 098 792	411 643	99 994	(220 754)	5 389 675

*other countries are Ukraine, Russia, Switzerland and Norway

9.3. Sales revenue of the segment „Construction business” by construction type

Net sales of finished goods, services, goods for resale and raw materials of the „Construction business” as the most significant operating segment in the Budimex Group were additionally analysed by type of construction objects. Data for the nine months of 2019 and the nine months of 2018 were as follows:

Type of construction	Sales revenue for a 9-month period ended:	
	30 September 2019	30 September 2018
Land-engineering	2 175 786	2 259 690
Railway	807 067	419 264
General construction, of which:	2 153 093	2 419 838
- non-housing	1 665 778	1 861 216
- housing	487 315	558 622
Net sales of finished goods, goods for resale and raw materials –Construction business segment	5 135 946	5 098 792

10. Related party transactions

Transactions with related parties made in the period of nine months ended 30 September 2019 and in the period of nine months ended 30 September of 2018 and unsettled balances of receivables and liabilities as at 30 September 2019 and 31 December 2018 are presented in the tables below:

	Receivables		Liabilities	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018
Parent and it related parties (the Ferrovial Group)	24 287	1 490	19 887	32 952
Jointly controlled entities	2 874	12 065	883	911
Associates	59	298	24	425
Other related entities – non-consolidated subsidiaries*	-	233	-	24
Other related entities – other*	10	14	-	-
Other related entities – through key personnel*	-	-	2 038	5 575
Total settlements with related parties	27 230	14 100	22 832	39 887

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	Loans granted / acquired debt securities		Loans taken out / issued debt securities	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018
Parent and it related parties (the Ferrovial Group)	-	-	-	9 019
Associates	-	74 145	-	-
Total settlements with related parties	-	74 145	-	9 019

	Sales of finished goods and services & other operating income		Purchase of finished goods and services & other operating expenses	
	9-month period ended 30 September		9-month period ended 30 September	
	2019	2018	2019	2018
Parent and it related parties (the Ferrovial Group)	-	363	(6 204)	(29 973)
Jointly controlled entities	12 152	52 556	1	(326)
Associates	3 393	1 526	(1 499)	(5 081)
Other related entities – non-consolidated subsidiaries*	-	52	-	(104)
Other related entities – through key personnel*	4 403	240	(2)	-
Total transactions with related parties	19 948	54 737	(7 704)	(35 484)

	Finance income		Finance costs	
	9-month period ended 30 September		9-month period ended 30 September	
	2019	2018	2019	2018
Parent and it related parties (the Ferrovial Group)	-	-	(12)	(37)
Jointly controlled entities	-	2	-	-
Associates	2 103	2 923	-	-
Total transactions with related parties	2 103	2 925	(12)	(37)

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

Inter-Group transactions are made on an arm's length basis.

11. Factors which will affect results achieved by the Group in a period covering at least the next quarter

The main factors that may affect the financial situation of the Group at least in the next quarter include:

- higher demand for subcontractors' services, which might have influence on quality and timeliness of the works performed,
- price level of materials and construction services affecting the amount of direct costs of realised contracts,
- availability of qualified employees,
- intensification of construction works related to the implementation of large public investment programs, which causes problems related to logistics and transport of construction materials,
- level of competition in public tenders,
- intensification of actions aimed at recovery of overdue debts, which were provided for and strengthening the operational and financial control in respect of contracts realised,
- results of the pending legal proceedings, described in more detail in note 16 to these consolidated financial statements,
- changes of tax regulations affecting the construction sector,
- fluctuations of exchange rates, which have the impact on the sales revenue, operating costs and result of the valuation and realization of derivative financial instrument contracts.

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12. Description of significant achievements or failures of the Budimex Group in the 9 months of 2019, key events concerning the Group's operations and significant events after 30 September 2019

In the period of the nine months of 2019 the results of the Budimex Group were weaker than in the corresponding period of the previous year. The drop in profitability affected mainly the construction segment and resulted mainly from the progressive cost inflation in the construction industry. In the construction segment, Budimex Group carries out long-term contracts whose contractual provisions in most cases do not provide for valorization of remuneration. Therefore, observed dynamic changes in prices of subcontracting services and labour costs recently translated into worsening margins, especially on contracts signed 2-3 years ago. At the same time, the increase in the Group's operating profitability recorded in the third quarter of this year was the result of including an adjustment to the historical cost of the license fee in the amount of PLN 34 818 thousand resulting from a change in the support contract by the strategic investor.

The order portfolio of the Budimex Group is profitable and ensures adequate workload for subsequent quarters. During the year the Group significantly increased the value of the order portfolio in the railway segment, which will translate into a full use of production capacity in the railway segment in the coming quarters.

The order backlog as at 30 September 2019 amounted to PLN 10 736 835 thousand. The value of contracts signed in the period January – September 2019 amounted to PLN 5 453 904 thousand.

The cash position of the Budimex Group is stable and allows for uninterrupted operation. Due to the difficult market situation, earlier payments for subcontractors and suppliers are consistently offered.

The developer segment improved profitability in the three quarters of 2019. As a result of the extension of the product offer, the number of pre-sold apartments in the period January - September 2019 (without reservations) increased to 1 286 units compared to 810 units in the same period of the previous year.

Information on the most important contracts signed by the Group companies or those where the offer of the Group companies was rated the highest was disclosed in the form of current reports published on the Budimex website.

At Budimex SA, customs and tax control (regarding reliability of declared tax bases and the correctness of calculating and paying corporate income tax for 2013) ended. The Control Result was signed on 28 October 2019. According to the Control Result, the tax in the CIT return for 2013 was understated by PLN 3 million. Budimex SA accepted the controllers' findings and will soon submit an appropriate correction of the 2013 tax return.

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

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

In the period of nine months of 2019 Budimex SA and Group companies did not issue, redeem or repay debt or equity securities.

14. The Management Board's position on the feasibility of results stated in the financial forecasts published earlier for the year in view of the financial results presented in the quarterly report in relation to the projected results

Budimex SA did not publish any forecasts.

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15. Statement of ownership of shares of Budimex SA or rights to such shares (options) held by the managing or supervisory persons of Budimex SA as at the date of publication of this report together with indication of changes in the ownership in the third quarter of 2019

As at the date of publication of the report members of the Management Board and Supervisory Board of Budimex SA held the following number of shares:

Marcin Węglowski	(Management Board member)	2 830 shares
Marek Michałowski	(chairman of the Supervisory Board)	4 000 shares

Above mentioned members of the Management Board and Supervisory Board do not own share options of the company. As at the date of publication of this report other managing and supervisory persons of Budimex SA do not hold its shares or share options. There was no change in the status of ownership from 31 December 2018.

16. Proceedings pending as at 30 September 2019 before court, competent arbitration body or any public administration authority

The total value of legal proceedings in progress in respect of liabilities and receivables as at 30 September 2019 was PLN 442 739 thousand. Excess of the value of proceedings against Group companies over proceedings relating to claims of Group companies amounted to PLN 63 661 thousand.

In accordance with information in the possession of Budimex SA, the total value of legal proceedings in progress in respect of liabilities of Budimex SA and its subsidiaries as at 30 September 2019 was PLN 253 200 thousand. These proceedings involve the Group companies' operating activity.

The largest claim in dispute was submitted on 24 July 2017 by Muzeum Śląskie in Katowice against Budimex SA and Ferrovial Agroman SA, operating as a consortium, in connection with the performance of the contract called „Construction of new premises of Muzeum Śląskie in Katowice” concluded on 7 June 2011. The claimant requested that either the amount of PLN 122 758 thousand, together with statutory interest calculated as of the date of claim filing, was awarded jointly and severally against the defendants towards undue performance of the contract, or the defendants were ordered to reduce contract transaction price by the amount of PLN 34 675 thousand being the reimbursement of the unfairly, as stated by the claimant, paid contract consideration. Art. 471 of the Civil Code was named as the basis for the principal claim, while the provisions of contractor warranty for defects in the constructed facility – for the alternative claim.

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

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

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As at the date of the preparation of these consolidated financial statements, the final outcome of the remaining proceedings is not known. For all legal proceedings which – according to the Group – may finish in an unfavourable way, provisions were recognised in the amount that takes into account the risk estimated by the Group.

The total value of legal proceedings pending in respect of claims of Budimex SA and its subsidiaries amounted to PLN 189 539 thousand as at 30 September 2019. The proceedings relate mainly to the recovery of overdue receivables from business partners and to additional claims in respect of the construction work performed. As at the date of these consolidated financial statements, the final outcome of the proceedings is not known.

17. Contingent assets and contingent liabilities

	30 September 2019	31 December 2018
<u>Contingent assets</u>		
From related parties, of which:		
– guarantees and sureties received	14 688	-
From related parties, total	14 688	-
From other entities, of which:		
– guarantees and sureties received	574 984	583 363
– bills of exchange received as security	5 680	6 083
From other entities, total	580 664	589 446
Other contingent assets	-	12 000
Total contingent assets	595 352	601 446
<u>Contingent liabilities</u>		
To related parties, of which:		
– guarantees and sureties issued	-	1 537
To related parties, total	-	1 537
To other entities, of which:		
– guarantees and sureties issued	3 741 272	3 540 626
– promissory notes issued as performance bond	151 143	21 520
To other entities, total	3 892 415	3 562 146
Other contingent liabilities	167	-
Total contingent liabilities	3 892 582	3 563 683
Total contingent items	(3 297 230)	(2 962 237)

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

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

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

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Guarantees and sureties issued by Budimex SA as at 30 September 2019:

Name of the company which issued a guarantee or surety	Name of the (company) entity which received a surety or a guarantee	Total value of guarantees or sureties issued	Maximum period of guarantees or sureties issuance	Financial conditions in respect of guarantees and sureties issued	Type of relations between Budimex SA and the entity which took out a guarantee or surety
Budimex SA	Mostostal Kraków SA	156 120	2027-01-21	against payment	subsidiary
Budimex SA	Mostostal Kraków Energetyka Sp. z o.o.	141	2023-11-21	against payment	subsidiary
Budimex SA	Budimex Budownictwo Sp. z o.o.	118 850*	2028-10-15	free of charge	subsidiary
Budimex SA	Budimex Nieruchomości Sp. z o.o.	11 462	2020-02-17	against payment	subsidiary
Budimex SA	Budimex Bau GmbH	45	2019-12-31	free of charge	subsidiary
Budimex SA	Budimex Kolejnictwo SA	63 231	2027-08-31	against payment	subsidiary
Budimex SA	FBSerwis SA	49 112	2029-11-30	against payment	subsidiary
TOTAL		398 961			

*sureties were issued for contracts realised by Budimex SA

Guarantees and sureties issued by Budimex SA as at 31 December 2018:

Name of the company which issued a guarantee or surety	Name of the (company) entity which received a surety or a guarantee	Total value of guarantees or sureties issued	Maximum period of guarantees or sureties issuance	Financial conditions in respect of guarantees and sureties issued	Type of relations between Budimex SA and the entity which took out a guarantee or surety
Budimex SA	Mostostal Kraków SA	130 027	2025-08-13	against payment	subsidiary
Budimex SA	Mostostal Kraków Energetyka Sp. z o.o.	471	2022-12-06	against payment	subsidiary
Budimex SA	Budimex Kolejnictwo SA	67 918	2025-10-31	against payment	subsidiary
Budimex SA	Budimex Bau GmbH	44	2019-12-31	free of charge	subsidiary
Budimex SA	Budimex Budownictwo Sp. z o.o.	115 994*	2026-12-23	free of charge	subsidiary
Budimex SA	Budimex Nieruchomości Sp. z o.o.	10 125	2020-02-17	against payment	subsidiary
Budimex SA	FBSerwis SA	1 537	2020-10-30	against payment	associate
TOTAL		326 116			

*sureties were issued for contracts realised by Budimex SA

President of the Management Board

Dariusz Blocher

Member of the Management Board

Marcin Węglowski

Warsaw, 29 October 2019

This is a translation of condensed consolidated financial statements originally issued in Polish. In case of any inconsistencies between the Polish and English version, the Polish version shall prevail.