



BUDIMEX SA

CONDENSED FINANCIAL STATEMENTS

for III quarters of 2019

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

Table of contents

Statement of financial position	2
Income statement	4
Statement of comprehensive income	4
Statement of changes in equity	5
Cash flow statement	8
1. General information	10
2. Principles applied for the purpose of preparation of these financial statements	10
2.1. Accounting policies and basis of preparing the financial statements of the Company	10
2.2. Changes in accounting principles and the method of preparation of financial statements	11
2.3. Cash recognized in the cash flow statement.....	12
2.4. Going concern	12
3. Net sales of finished goods and services, selling expenses, administrative expenses and profitability	12
4. Other operating income and expenses	13
5. Finance income and finance costs.....	14
6. Other significant information on activity of Budimex SA in the III quarter of 2019.....	14
7. Net sales of finished goods, goods for resale, raw materials and services, by category	15
8. Related party transactions	16
9. Description of significant achievements or failures of Budimex SA in the III quarter of 2019, key events concerning the Company's operations and significant events after 30 September 2019	17
10. Proceedings pending as at 30 September 2019 before court, competent arbitration body or any public administration authority.....	18
11. Contingent assets and contingent liabilities	19

BUDIMEX SA

Condensed financial statements for III quarters of 2019
 prepared in accordance with International Financial Reporting Standards



(all amounts are expressed in PLN thousand)

Statement of financial position

ASSETS	30 September 2019	31 December 2018
	<i>unaudited</i>	<i>audited</i>
Non-currents assets (long-term)		
Property, plant and equipment	217 478	169 160
Investment properties	-	3 178
Intangible assets	25 882	28 103
Investments in subsidiaries	850 169	690 544
Investments in associates	191	61 246
Investments in other entities	6 417	6 417
Other financial assets	14 625	75 869
Trade and other receivables	21 490	21 807
Retentions for construction contracts	85 476	79 665
Deferred tax asset	357 525	322 025
Total non-current assets (long-term)	1 579 253	1 458 014
Current assets		
Inventories	457 147	308 385
Trade and other receivables	1 106 991	802 012
Retentions for construction contracts	53 790	47 191
Long-term construction contracts valuation	795 957	552 306
Current income tax receivable	-	33 081
Other financial assets	126 121	17 055
Cash and cash equivalents	576 527	1 159 595
Total current assets (short-term)	3 116 533	2 919 625
TOTAL ASSETS	4 695 786	4 377 639

BUDIMEX SA

Condensed financial statements for III quarters of 2019
prepared in accordance with International Financial Reporting Standards



(all amounts are expressed in PLN thousand)

Statement of financial position (cont.)

EQUITY AND LIABILITIES	30 September 2019	31 December 2018
	<i>unaudited</i>	<i>audited</i>
Equity		
Issued capital	145 848	145 848
Share premium	80 199	80 199
Other reserves	51 356	51 356
Cumulative translation differences	7 705	7 159
Retained earnings	314 935	322 012
Total equity	600 043	606 574
Liabilities		
Long-term liabilities		
Loans, borrowings and other external sources of finance	114 238	88 171
Retentions for construction contracts	202 444	213 836
Provision for long-term liabilities and other charges	294 650	271 771
Retirement benefits and similar obligations	10 108	10 108
Total long-term liabilities	621 440	583 886
Short-term liabilities		
Loans, borrowings and other external sources of finance	54 447	42 082
Trade and other payables	1 577 945	1 641 899
Retentions for construction contracts	208 632	205 048
Provisions for construction contract losses	232 267	159 036
Valuation of construction contracts	615 338	583 918
Deferred income	520 670	378 465
Provisions for current liabilities and other charges	211 745	174 929
Current income tax payable	51 955	-
Retirement benefits and similar obligations	1 122	1 122
Other financial liabilities	182	680
Total short-term liabilities	3 474 303	3 187 179
Total liabilities	4 095 743	3 771 065
TOTAL EQUITY AND LIABILITIES	4 695 786	4 377 639

BUDIMEX SA

Condensed financial statements for III quarters of 2019
prepared in accordance with International Financial Reporting Standards



(all amounts are expressed in PLN thousand)

Income statement

	Note	9-month period ended 30 September		3-month period ended 30 September	
		2019 <i>unaudited</i>	2018 <i>unaudited</i>	2019 <i>unaudited</i>	2018 <i>unaudited</i>
Continuing operations					
Net sales of finished goods, goods for resale, raw materials and services	3.7	4 975 374	4 898 119	1 958 915	1 995 770
Cost of finished goods, goods for resale, raw materials and services sold		(4 733 237)	(4 567 203)	(1 860 973)	(1 854 632)
Gross profit on sales		242 137	330 916	97 942	141 138
Selling expenses	3	(7 819)	(7 629)	(2 692)	(2 609)
Administrative expenses	3	(110 507)	(147 092)	(12 285)	(48 785)
Other operating income	4	58 837	33 325	23 858	10 472
Other operating expenses	4	(39 344)	(23 953)	(25 810)	(10 382)
Operating profit		143 304	185 567	81 013	89 834
Finance income	5	95 343	157 735	10 705	71 118
Finance costs	5	(26 008)	(26 390)	(8 791)	(7 486)
Gross profit		212 639	316 912	82 927	153 466
Income tax	6	(58 877)	(56 798)	(34 301)	(36 280)
Net profit from continuing operations		153 762	260 114	48 626	117 186
Net profit for the period		153 762	260 114	48 626	117 186
<i>Basic and diluted earnings per share attributable to the shareholders (in PLN)</i>		6.02	10.19	1.90	4.59

Statement of comprehensive income

	9-month period ended 30 September		3-month period ended 30 September	
	2019 <i>unaudited</i>	2018 <i>unaudited</i>	2019 <i>unaudited</i>	2018 <i>unaudited</i>
Net profit for the period	153 762	260 114	48 626	117 186
Other comprehensive income for the period, which:				
<i>Will be subsequently reclassified to profit or loss:</i>				
Foreign exchange differences on translation of foreign branch	546	1 293	393	(135)
Deferred tax related to components of other comprehensive income	-	-	-	-
<i>Will not be subsequently reclassified to profit or loss:</i>				
Actuarial gains/(losses)	-	-	-	-
Income tax related to components of other comprehensive income	-	-	-	-
Other comprehensive income, net of tax	546	1 293	393	(135)
Total comprehensive income for the period	154 308	261 407	49 019	117 051

BUDIMEX SA

Condensed financial statements for III quarters of 2019
 prepared in accordance with International Financial Reporting Standards

(all amounts are expressed in PLN thousand)

**Statement of changes in equity**

	Issued capital	Share premium	Other reserves	Foreign exchange differences on translation of foreign branch	Retained earnings	Total equity
Balance as at 1 January 2019 <i>audited</i>	145 848	80 199	51 356	7 159	322 012	606 574
Profit for the period	-	-	-	-	153 762	153 762
Other comprehensive income	-	-	-	546	-	546
Total comprehensive income for the period	-	-	-	546	153 762	154 308
Dividend paid	-	-	-	-	(160 839)	(160 839)
Balance as at 30 September 2019 <i>unaudited</i>	145 848	80 199	51 356	7 705	314 935	600 043

BUDIMEX SA

Condensed financial statements for III quarters of 2019
prepared in accordance with International Financial Reporting Standards



(all amounts are expressed in PLN thousand)

Statement of changes in equity (cont.)

	Issued capital	Share premium	Other reserves	Foreign exchange differences on translation of foreign branch	Retained earnings	Total equity
Balance as at 1 January 2018 <i>audited</i>	145 848	80 199	52 452	5 682	449 995	734 176
Profit for the period	-	-	-	-	260 114	260 114
Other comprehensive income	-	-	-	1 293	-	1 293
Total comprehensive income for the period	-	-	-	1 293	260 114	261 407
Dividend paid	-	-	-	-	(449 585)	(449 585)
Balance as at 30 September 2018 <i>unaudited</i>	145 848	80 199	52 452	6 975	260 524	545 998
Profit for the period	-	-	-	-	61 488	61 488
Other comprehensive income	-	-	(1 096)	184	-	(912)
Total comprehensive income for the period	-	-	(1 096)	184	61 488	60 576
Balance as at 31 December 2018 <i>audited</i>	145 848	80 199	51 356	7 159	322 012	606 574

BUDIMEX SA

Condensed financial statements for III quarters of 2019
prepared in accordance with International Financial Reporting Standards



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

Cash flow statement

	9-month period ended 30 September	
	2019 <i>unaudited</i>	2018 <i>unaudited</i>
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	212 639	316 912
Adjustments:		
Depreciation/ amortization	51 397	32 487
Foreign exchange (gains)/ losses	(510)	(597)
Interest and shares in profits (dividends)	(81 084)	(76 355)
(Profit)/ loss on disposal of investments	(3 391)	(69 539)
Change in valuation of derivative financial instruments	3 020	642
Change in provisions and liabilities arising from retirement benefits and similar obligations	59 695	54 353
Other adjustments	581	1 290
Operating profit before changes in working capital	242 347	259 193
Change in receivables and retentions for construction contracts	(234 795)	(208 434)
Change in inventories	(148 762)	(102 059)
Change in retentions for construction contracts and in liabilities, except for loans and borrowings	(74 745)	46 814
Change in amounts due and receivable under construction contracts	(139 000)	(863 372)
Change in deferred income	142 205	(191 327)
Change in cash and cash equivalents of restricted use	(2 547)	112
Cash used in operations	(215 297)	(1 059 073)
Income tax paid	(9 341)	3 270
NET CASH USED IN OPERATING ACTIVITIES	(224 638)	(1 055 803)
CASH FLOW FROM INVESTING ACTIVITIES		
Sale of intangible assets and tangible fixed assets	1 664	2 549
Purchase of intangible assets and tangible fixed assets	(13 825)	(12 966)
Sale of investment properties	5 323	-
Sale of shares in related parties	-	108 068
Purchase of shares in related parties	(98 570)	(1 060)
Purchase of bonds issued by banks	-	(238 868)
Proceeds from bonds issued by banks	-	516 877
Dividend received	1 226	72 834
Loans granted	(62 000)	(30 160)
Repayment of loans granted	12 600	19 700
Interest received	2 384	5 687
NET CASH USED IN / FROM INVESTING ACTIVITIES	(151 198)	442 661

BUDIMEX SA

Condensed financial statements for III quarters of 2019
prepared in accordance with International Financial Reporting Standards

budimex

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

	9-month period ended 30 September	
	2019	2018
	<i>unaudited</i>	
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid	(160 839)	(449 585)
Repayment of loans and borrowings	(9 003)	-
Payment of liabilities under lease	(37 069)	(14 933)
Interest paid	(3 351)	(1 969)
NET CASH USED IN FINANCING ACTIVITIES	(210 262)	(466 487)
TOTAL NET CASH FLOW	(586 098)	(1 079 629)
Foreign exchange differences on cash and cash equivalents, net	483	807
CASH AND CASH EQUIVALENTS – OPENING BALANCE (note 2.3)	1 136 291	1 639 774
CASH AND CASH EQUIVALENTS – CLOSING BALANCE (note 2.3)	550 676	560 952

1. General information

Budimex SA (the "Company", the "Issuer") with its registered office in Warsaw, Siedmiogrodzka 9, is a joint-stock company entered in the Commercial Register kept by the District Court for the capital city of Warsaw, Commercial Division XII of the National Court Register under No. KRS 0000001764.

Budimex SA is the parent company of the Budimex Group and serves as an advisory, management and financial centre.

The Company has an unlimited period of operation.

The main areas of the Company's business activities are widely understood construction and assembly services realised in the system of general contracting at home and abroad and a limited scope of developer activities, property management, trading and production.

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

2. Principles applied for the purpose of preparation of these financial statements**2.1. Accounting policies and basis of preparing the financial statements of the Company**

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

As at 30 September 2019, 31 December 2018 and 30 September 2018 the Company's standalone data as part of the consortia (treated as a joint operation in accordance with IFRS 11), include also participation in assets, liabilities, revenues and costs of the following joint operations:

Joint operation	Share in the share capital and in the number of votes		
	30 September 2019	31 December 2018	30 September 2018
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 Energetyka 3 Sp.j.	50.00%	50.00%	50.00%
Budimex SA Ferrovial Agroman SA Sp. j.	50.00%	50.00%	50.00%
Budimex SA Tecnicas Reunidas SA Turów s.c.	50.00%	50.00%	50.00%
Budimex SA Energetyka 1 Sp.j.*	-	50.00%	50.00%
Budimex SA Energetyka 2 Sp.j.*	-	50.00%	50.00%
Budimex SA Budimex Budownictwo Sp. z o.o. s.c.**	-	99.98%	99.98%

*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.

Standards, amendments to standards and interpretations effective in the current period

Starting from 1 January 2019 the Company adopted IFRS 16 "Leases" and appropriate changes in accounting principles were presented in the half-year condensed financial statements.

Apart from the above, the Company for the first time adopted below standards, changes to standards and interpretation:

- 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 impact of applying other changes to standards and interpretations was not significant.

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

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

- IFRS 14 „Regulatory deferral accounts” – according to the European Commission’s decision the endorsement process of the standard will not be initiated until the final version of the standard has been published (effective for annual periods beginning on or after 1 January 2016),
- IFRS 17 „Insurance contracts” (effective for annual periods beginning on or after 1 January 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 – 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: Disclosure" - Reform of the reference interest rate (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 standards and amendments to standards would not have any material impact on the financial statements, had they been applied by the Company at the reporting date.

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

In the period covered by the report Budimex SA applied for the first time IFRS 16 „Leases”. The Company applied the IFRS retrospectively with the cumulative effect of initially applying the standard at the date of initial application. Therefore Budimex SA 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 accounting policy assumptions adopted by the Company with the first application of IFRS 16 were included in the half-year condensed financial statements published on 23 August 2019.

2.3. Cash recognized in the cash flow statement

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

	30 September 2019	31 December 2018	30 September 2018
Cash recognised in the statement of financial position	576 527	1 159 595	601 437
Cash and cash equivalents of restricted use	(25 851)	(23 304)	(40 485)
Cash recognised in the statement of cash flow	550 676	1 136 291	560 952

2.4. Going concern

The financial statements of the Company were prepared on the assumption that the Company will be going concern in the foreseeable future without a significant limitation in its activities. As at the date of signing the financial statements, besides the matter mentioned below, the Management Board of the Company is not aware of any facts or circumstances that would indicate a threat to the Company's continued activities after the reporting date, due to an intended or compulsory withdrawal from or a significant limitation in its activities.

As at 30 September 2019 the excess of the current liabilities over the current assets amounted to PLN 357 770 thousand. Taking into consideration good financial position of Budimex Group related to liquidity, of which the excess of current assets over current liabilities as at 30 September 2019 amounted to PLN 343 928 thousand, the Company's Management Board does not state as at the date of signing the financial statements any threat to Company's ability to continue as a going concern.

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

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

Revenues and profitability

	9-month period ended			3-month period ended		
	30 September 2019	30 September 2018	Change %	30 September 2019	30 September 2018	Change %
Net sales of finished goods and services	4 975 374	4 898 119	1.58%	1 958 915	1 995 770	(1.85%)
Gross profit on sales	242 137	330 916	(26.83%)	97 942	141 138	(30.61%)
Gross profitability on sales	4.87%	6.76%	(1.89 p.p.)	5.00%	7.07%	(2.07 p.p.)
Operating profit	143 304	185 567	(22.78%)	81 013	89 834	(9.82%)
Operating profitability	2.88%	3.79%	(0.91 p.p.)	4.14%	4.50%	(0.36 p.p.)
Net profit	153 762	260 114	(40.89%)	48 626	117 186	(58.51%)
Net profitability	3.09%	5.31%	(2.22 p.p.)	2.48%	5.87%	(3.39 p.p.)

BUDIMEX SA

Condensed financial statements for III quarters of 2019
prepared in accordance with International Financial Reporting Standards



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

Selling and administrative expenses

	9-month period ended		Change %	3-month period ended		Change %
	30 Sept. 2019	30 Sept. 2018		30 Sept. 2019	30 Sept. 2018	
Selling expenses	(7 819)	(7 629)	2.49%	(2 692)	(2 609)	3.18%
Administrative expenses	(110 507)	(147 092)	(24.87%)	(12 285)	(48 785)	(74.82%)
Total selling & administrative expenses	(118 326)	(154 721)	(23.52%)	(14 977)	(51 394)	(70.86%)
Share of selling & administrative expenses in net sales of finished goods and services	2.38%	3.16%	(0.78 p.p.)	0.76%	2.58%	(1.82 p.p.)

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

	9-month period ended		3-month period ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
Gains on the sale of non-financial non-current assets	3 581	2 382	298	628
Reversal of impairment write-downs against receivables	7 950	1 322	763	816
Reversal of provisions for penalties and sanctions	11 507	7 086	5 841	1 237
Penalties/ compensations awarded	29 391	19 914	15 696	6 402
Statute-barred liabilities written-off	4 675	2 297	329	1 353
Gains on derivative financial instruments	539	172	534	-
Subsidies received	539	-	-	-
Other	655	152	397	36
Total	58 837	33 325	23 858	10 472

Other operating expenses

	9-month period ended		3-month period ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
Impairment write-downs against receivables	(2 894)	(7 030)	372	(2 417)
Compensations and liquidated damages paid	(6 193)	(5 395)	(2 115)	(402)
Donations	(640)	(1 554)	(224)	(709)
Court charges	(1 752)	(616)	(636)	(283)
Creation of provisions for penalties and sanctions	(27 798)	(9 246)	(23 204)	(6 972)
Loss on derivative financial instruments	-	-	-	486
Other	(67)	(112)	(3)	(85)
Total	(39 344)	(23 953)	(25 810)	(10 382)

All valued derivative instrument contracts were classified as level 2 in the fair value hierarchy. During the 9 months ended 30 September 2019 and 30 September 2018, there was no transfer between Level 1 and Level 2 of fair value measurements, and no transfer into and out of Level 3 of fair value measurement. The fair value of financial instruments owned by the Company is similar to their carrying value.

BUDIMEX SA

Condensed financial statements for III quarters of 2019
prepared in accordance with International Financial Reporting Standards



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

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

	9-month period ended		3-month period ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
Dividends	80 125	72 834	4 463	-
Interest earned	14 513	17 666	5 537	3 883
Foreign exchange gains	705	59	705	59
Gain from the sale of shares	-	67 176	-	67 176
Total	95 343	157 735	10 705	71 118

Finance cost

	9-month period ended		3-month period ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
Interest expense	(4 686)	(2 793)	(1 657)	(929)
Discount of retentions for construction contracts	(4 813)	(5 940)	(1 410)	(1 510)
Cost of bank commissions and guarantees	(16 483)	(17 661)	(5 841)	(5 764)
Foreign exchange losses	-	-	116	713
Other	(26)	4	1	4
Total	(26 008)	(26 390)	(8 791)	(7 486)

6. Other significant information on activity of Budimex SA in the III quarter of 2019**Provisions for liabilities and other charges**

	30 September 2019	31 December 2018
Provisions for litigation proceedings	22 885	22 984
Provisions for penalties and other sanctions	69 253	52 962
Provisions for warranty repairs	414 257	370 754
Total	506 395	446 700
<i>of which:</i>		
- long-term	294 650	271 771
- short-term	211 745	174 929

Income tax in the income statement

	30 September 2019	30 September 2018
Income tax – current	(94 377)	(47 454)
Income tax – deferred	35 500	(9 344)
Income tax in the income statement	(58 877)	(56 798)

BUDIMEX SA

Condensed financial statements for III quarters of 2019
prepared in accordance with International Financial Reporting Standards



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

Other information

	9-month period ended	
	30 September 2019	30 September 2018
Value of property, plant and equipment, investment property and intangible assets purchased or started to be leased:	100 316	84 180
- of which: increases due to first application of IFRS 16	30 465	-
- of which: plant and machinery	9 471	58 644

As at 30 September 2019 contractual obligations made by the Company for the purchase of property, plant and equipment amounted to PLN 1 662 thousand. Contractual obligations made by the Company for the purchase of property, plant and equipment as at 31 December 2018 amounted to PLN 784 thousand.

As in previous years, in the 9-month period of 2019 Budimex SA recorded a decrease in the level of cash and cash equivalents. This is mainly related to the seasonal, negative change in working capital and the payment of dividends made in June 2019. In the second and third quarters of each year, the Company generates the largest throughputs on construction contracts, which translates into the need to commit temporarily its own funds due to the later moment of invoicing the works to investors and receiving receivables. Additionally, in the described period Budimex SA made earlier payments to business partners, which translated into a noticeable 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 decrease in the level of trade liabilities.

The increase in inventory balance by over 48% is mainly due to the increase in the share of rail and infrastructure contracts in the sale of the Company. Railway contracts require prior ordering of materials and collection at the construction site.

On 3 July 2019, Budimex SA concluded with Ferrovial Services International SE an agreement transferring the ownership of 89 760 shares of FBSerwis SA, constituting a 51% share in the share capital of FBSerwis with a nominal value of PLN 500.00 per share, entitling to execute 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 currently holds all shares of FBSerwis SA, constituting a total share of 100% in the share capital of FBSerwis SA and entitling them to execute 100% of votes at the General Meeting of FBSerwis. FBSerwis SA became a subsidiary (until the date of taking over control it was an associated company). Thus, the balance of the line "Investments in subsidiaries" increased, and accordingly the balance of the position "Investments in associates" decreased.

Another significant change on the assets side was the reclassification of loans granted to the subsidiary FBSerwis SA, whose repayment date falls in the first and second quarter of 2020 (currently classified as short-term financial assets in the amount of PLN 61 424 thousand) and granting new short-term loans to FBSerwis SA in the amount of PLN 62 000 thousand.

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

In the 9-month period of 2019 and 2018 net sales of finished goods, goods for resale, raw materials and services, by type of good or service, were as follows:

Product/service type	9-month period ended	
	30 September 2019	30 September 2018
Sales of construction and assembly services	4 929 455	4 864 619
Sales of other services	37 438	27 804
Sales of goods for resale and raw materials	8 481	5 696
Total sales of finished goods, goods for resale, raw materials and services	4 975 374	4 898 119

In the 9-month period of 2019 and 2018 net sales of finished goods, goods for resale, raw materials and services, by

BUDIMEX SA

Condensed financial statements for III quarters of 2019
prepared in accordance with International Financial Reporting Standards



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

geographical area, were as follows:

Region	9-month period ended	
	30 September 2019	30 September 2018
Poland	4 747 195	4 717 475
Germany	138 496	131 690
Other EU countries	89 683	48 954
Total sales of finished goods, goods for resale, raw materials and services	4 975 374	4 898 119

In the 9-month period of 2019 and 2018 net sales of finished goods, goods for resale, raw materials and services, by type of construction, were as follows:

Type of construction	9-month period ended	
	30 September 2019	30 September 2018
Land-engineering	2 172 977	2 248 109
Railway	789 261	405 926
General construction, of which:	1 967 217	2 210 584
- non-housing	1 479 902	1 651 962
- housing	487 315	558 622
Other	45 919	33 500
Total sales of finished goods, goods for resale, raw materials and services	4 975 374	4 898 119

8. Related party transactions

Transactions with related parties made in the 9-month period of 2019 and 2018 and unsettled balances of receivables and liabilities as at 30 September 2019 and 31 December 2018 are presented in the tables below:

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

	Receivables		Liabilities	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018
Parent Company and related parties (the Ferrovial Group)	23 664	1 490	18 941	33 333
Subsidiary companies	201 768	145 865	14 439	20 689
Associates	9	289	6	121
Jointly controlled entities	420	4 891	761	696
Other related parties	10	14	-	-
Total	225 871	152 549	34 147	54 839

	Loans granted		Loans taken out	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018
Parent Company and related parties (the Ferrovial Group)	-	-	-	9 019
Subsidiary companies	139 809	14 324	-	-
Associates	-	74 145	-	-
Total	139 809	88 469	-	9 019

BUDIMEX SA

Condensed financial statements for III quarters of 2019
prepared in accordance with International Financial Reporting Standards



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

	Sales of finished goods and services and other operating income		Purchase of finished goods and services and other operating expenses	
	9-month period ended 30 September		9-month period ended 30 September	
	2019	2018	2019	2018
Parent Company and related parties (the Ferrovial Group)	-	363	(6 204)	(29 973)
Subsidiary companies	567 147	493 711	(42 456)	(90 331)
Associates	3 376	1 509	(1 181)	(236)
Jointly controlled entities	453	2 113	-	-
Other related entities – through key personnel*	-	-	(2)	-
Total transactions with related parties	570 976	497 696	(49 843)	(120 540)

	Finance income		Finance costs	
	9-month period ended 30 September		9-month period ended 30 September	
	2019	2018	2019	2018
Parent Company and related parties (the Ferrovial Group)	-	-	(12)	(37)
Subsidiary companies	82 342	73 276	-	-
Associates	2 103	2 923	-	-
Jointly controlled entities	-	2	-	-
Total transactions with related parties	84 445	76 201	(12)	(37)

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

9. Description of significant achievements or failures of Budimex SA in the III quarter of 2019, key events concerning the Company's operations and significant events after 30 September 2019

In the period of three quarters of 2019 the results of Budimex SA were weaker than in the corresponding period of the previous year. The drop in profitability resulted mainly from the progressive cost inflation in the construction industry. Budimex SA carries out long-term contracts whose contractual provisions in most cases do not provide for valorization of remuneration. Therefore, dynamic changes in prices of subcontracting services recently translated into worsening margins, especially on contracts signed 2-3 years ago. At the same time, the increase in the Company's operating profitability recorded in the third quarter of 2019 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 a strategic investor.

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

The cash situation of the Company in the third quarter, despite the expenditure related to the purchase of 51% of shares in FBSerwis, has significantly improved and allows for uninterrupted operation. Due to the difficult market situation, earlier payments for subcontractors and suppliers are consistently offered.

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

In the period after 30 September 2019, until the date of preparation of these financial statements there were no other significant events that should be subject to disclosure.

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

The total value of legal proceedings pending in respect of liabilities and receivables as at 30 September 2019 was PLN 433 345 thousand. Excess of the value of proceedings against Budimex SA over proceedings relating to claims of the Company amounted to PLN 58 951 thousand.

On the basis of the information at hand, the total value of legal proceedings pending in respect of liabilities of Budimex SA as at 30 September 2019 was PLN 246 148 thousand. The proceedings pending in respect of Budimex SA relate to the operating activities of the Company.

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

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

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

The total value of legal proceedings pending in respect of claims of Budimex SA amounted to PLN 187 197 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 this report, the final outcome of the proceedings is not known.

11. Contingent assets and contingent liabilities

	30 September 2019	31 December 2018
<u>Contingent assets</u>		
From related entities, of which:	1 693	1 693
– bills of exchange received as security	1 693	1 693
From other entities, of which:	549 593	556 742
– guarantees and sureties received	544 745	552 442
– bills of exchange received as security	4 848	4 300
Other contingent assets	-	12 000
Total contingent assets	551 286	570 435
<u>Contingent liabilities</u>		
To related entities, of which:	398 961	326 116
– guarantees and sureties issued	398 961	326 116
To other entities, of which:	3 437 586	3 296 811
– guarantees and sureties issued	3 419 263	3 284 159
– promissory notes issued as security	18 323	12 652
Other contingent liabilities	167	-
Total contingent liabilities	3 836 714	3 622 927
Total off-balance sheet items	(3 285 428)	(3 052 492)

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

Contingent liabilities arising from guarantees and sureties comprise mainly guarantees issued by banks to business partners of the Company to secure their claims against the Company that may arise on the grounds of executed construction contracts. The banks are entitled to recourse claims against Budimex SA under these guarantees. Guarantees issued to the investors of the Company represent an alternative, to the retentions held, method of securing potential investor claims relating to construction contracts. At the same time, the risk relating to warranty repairs assessed by the Management Board of the Company as probable was appropriately reflected in the warranty repair provision, as described in note 6 to these condensed financial statements.

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

President of the Board

Board Member

Dariusz Blocher

Marcin Węglowski

Warsaw, 29 October 2019

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