



THE BUDIMEX GROUP

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for 1 quarter of 2019

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

The BUDIMEX Group

The condensed consolidated financial statements for I quarter 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	31 March 2019 <i>not audited</i>	31 December 2018 <i>audited</i>
Non-currents (long-term) assets		
Property, plant and equipment	290 302	258 123
Investment properties	38 347	28 365
Intangible assets	27 257	28 389
Goodwill of subordinated entities	73 237	73 237
Investments in equity accounted entities	37 885	37 427
Investments in equity instruments	9 778	9 778
Retentions for construction contracts	45 605	49 103
Trade and other receivables	20 156	21 807
Receivables from service concession agreement	46 456	46 416
Other financial assets	73 978	74 145
Deferred tax assets	374 586	361 851
Total non-current (long-term) assets	1 037 587	988 641
Current (short-term) assets		
Inventories	1 778 221	1 611 813
Trade and other receivables	696 295	819 300
Retentions for construction contracts	34 558	28 311
Valuation of construction contracts	682 293	561 537
Current tax assets	21 265	33 102
Other financial assets	2 206	4 495
Cash and cash equivalents	870 125	1 409 152
Total current (short-term) assets	4 084 963	4 467 710
TOTAL ASSETS	5 122 550	5 456 351

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Consolidated statement of financial position (cont.)

EQUITY AND LIABILITIES	31 March 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
Foreign exchange differences on translation of foreign operations	7 103	6 947
Retained earnings	530 321	501 783
Shareholders' equity attributable to the shareholders of the Parent	772 035	743 341
Equity attributable to non-controlling interests	7 408	7 136
Total equity	779 443	750 477
Liabilities		
Non-current (long-term) liabilities		
Loans, borrowings and other external sources of finance	288 085	184 110
Trade and other payables	31 509	-
Retentions for construction contracts	214 275	222 751
Provision for long-term liabilities and other charges	372 620	367 306
Retirement benefits and similar obligations	12 639	12 639
Other financial liabilities	2 297	2 015
Total non-current (long-term) liabilities	921 425	788 821
Current (short-term) liabilities		
Loans, borrowings and other external sources of finance	68 447	54 823
Trade and other payables	1 382 684	1 720 438
Retentions for construction contracts	207 790	214 866
Provisions for construction contract losses	152 071	158 035
Valuation of construction contracts	530 110	575 183
Deferred income	883 476	996 224
Provision for short-term liabilities and other charges	189 634	187 938
Current tax liability	4 853	6 846
Retirement benefits and similar obligations	1 412	1 412
Other financial liabilities	1 205	1 288
Total current (short-term) liabilities	3 421 682	3 917 053
Total liabilities	4 343 107	4 705 874
TOTAL EQUITY AND LIABILITIES	5 122 550	5 456 351

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Consolidated income statement

		3-month period ended 31 March	
	Note	2019	2018
		<i>not audited</i>	
Continuing operations			
Net sales of finished goods, goods for resale, raw materials and services	4	1 380 257	1 338 831
Cost of finished goods, goods for resale, raw materials and services sold		(1 274 279)	(1 198 590)
Gross profit on sales		105 978	140 241
Selling expenses	4	(6 797)	(7 362)
Administrative expenses	4	(52 692)	(53 603)
Other operating income	5	11 361	11 732
Other operating expenses	5	(7 884)	(7 091)
Operating profit		49 966	83 917
Finance income	6	5 846	10 145
Finance costs	6	(10 990)	(10 328)
Share in net profits/(losses) of equity accounted subordinates		458	(2 835)
Gross profit		45 280	80 899
Income tax	7	(16 470)	(17 556)
Net profit from continuing operations		28 810	63 343
Net profit for the period		28 810	63 343
<i>of which:</i>			
Attributable to the shareholders of the Parent		28 538	63 320
<i>Attributable to non-controlling interests</i>		<i>272</i>	<i>23</i>
<hr/>			
<i>Basic and diluted earnings per share attributable to the shareholders of the Parent (in PLN)</i>		<i>1.12</i>	<i>2.48</i>

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Consolidated statement of comprehensive income

	3-month period ended 31 March	
	2019	2018
	<i>not audited</i>	
Net profit for the period	28 810	63 343
Other comprehensive income which:		
<i>Items to be reclassified to profit or loss upon satisfaction of certain conditions:</i>		
Foreign exchange differences on translation of foreign operations	156	877
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	156	877
Total comprehensive income for the period	28 966	64 220
<i>Of which:</i>		
Attributable to the shareholders of the Parent	28 694	64 197
<i>Attributable to non-controlling interests</i>	<i>272</i>	<i>23</i>

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(all amounts are expressed in PLN thousand)

Consolidated statement of changes in equity

	Equity attributable to the shareholders of the Parent						Total	Non-controlling interests	Total equity
	Issued capital	Share premium	Other reserves		Foreign exchange differences on translation of foreign operations	Retained earnings			
			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	-	-	-	-	-	28 538	28 538	272	28 810
Other comprehensive income	-	-	-	-	156	-	156	-	156
Total comprehensive income for the period	-	-	-	-	156	28 538	28 694	272	28 966
Balance as at 31 March 2019 <i>not audited</i>	145 848	87 163	7 171	(5 571)	7 103	530 321	772 035	7 408	779 443

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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	-	-	-	-	-	63 320	63 320	23	63 343
Other comprehensive income	-	-	-	-	877	-	877	-	877
Total comprehensive income for the period	-	-	-	-	877	63 320	64 197	23	64 220
Balance as at 31 March 2018 <i>not audited</i>	145 848	87 163	7 171	(4 614)	6 219	703 853	945 640	708	946 348
Profit for the period	-	-	-	-	-	242 104	242 104	37	242 141
Other comprehensive income	-	-	-	(957)	728	-	(229)	-	(229)
Total comprehensive income for the period	-	-	-	(957)	728	242 104	241 875	37	241 912
Sale of a non-controlling interest of subsidiary	-	-	-	-	-	5 411	5 411	7 189	12 600
Disposal of subsidiary companies	-	-	-	-	-	-	-	(664)	(664)
Payment of dividend by Budimex SA	-	-	-	-	-	(449 585)	(449 585)	-	(449 585)
Payment of dividend to non-controlling shareholders	-	-	-	-	-	-	-	(134)	(134)
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

	3-month period ended 31 March	
	2019	2018
	<i>not audited</i>	
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	45 280	80 899
Adjustments for:		
Depreciation/ amortization	18 708	11 693
Share in net (profits)/ losses of equity accounted companies	(458)	2 835
Foreign exchange (gains)/ losses	(21)	(559)
Interest and shares in profits (dividends)	1 157	(1 415)
(Profit)/ loss on investing activities	183	148
Change in valuation of derivative financial instruments	2 657	(149)
Change in provisions and liabilities arising from retirement benefits and similar obligations	7 010	25 444
Other adjustments	237	887
Operating profit/ (loss) before changes in working capital	74 753	119 783
Change in receivables and retentions for construction contracts	122 859	7 088
Change in inventories	(81 089)	(75 901)
Change in retentions for construction contracts and in liabilities, except for loans and borrowings	(321 868)	(297 236)
Change in deferred income	(112 748)	(128 003)
Change in valuation of construction contracts and in provision for losses	(171 793)	(276 650)
Change in cash and cash equivalents of restricted use	41 789	7 290
Cash flow used in operating activities	(448 097)	(643 629)
Income tax paid	(19 361)	(29 732)
NET CASH USED IN OPERATING ACTIVITIES	(467 458)	(673 361)
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of intangible assets and property, plant and equipment	2	8 645
Purchase of intangible assets and property, plant and equipment	(1 702)	(3 329)
Purchase of shares in joint operations	(73)	-
Purchase of bonds issued by banks	-	(238 868)
Proceeds from bonds issued by banks	-	278 009
Loans granted	-	(6 860)
Interest received	1 046	1 991
NET CASH FROM/ USED IN INVESTING ACTIVITIES	(727)	39 588
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of loans and borrowings	(9 275)	(242)
Payment of liabilities under finance lease	(16 504)	(5 072)
Interest paid	(3 112)	(932)
Other finance expenditure	(156)	(161)
NET CASH USED IN FINANCING ACTIVITIES	(29 047)	(6 407)
TOTAL NET CASH FLOW	(497 232)	(640 180)
Foreign exchange differences on cash and cash equivalents, net	(6)	637
CASH AND CASH EQUIVALENTS - OPENING BALANCE (note 3.3)	1 268 028	1 961 849
CASH AND CASH EQUIVALENTS - CLOSING BALANCE (note 3.3)	1 322 306	1 790 308

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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 limited scope trading, production, transport 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 31 March 2019, 31 December 2018 and 31 March 2018 the following entities were subject to consolidation:

Company name	Registered office	% in the share capital as at		
		31 March 2019	31 December 2018	31 March 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%
Biuro Inwestycji „Grunwald” SA	Warsaw / Poland	-	-	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%
Elektromontaż Poznań SA Group	Poznań / Poland	-	-	98.95%

As at 31 March 2019, 31 December 2018 and 31 March 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:

Joint operation name	Share in the issued capital and in the number of votes (%)		
	31 March 2019	31 December 2018	31 March 2018
Budimex SA Budimex Budownictwo Sp. z o.o. s.c.	100.00%	100.00%	100.00%
Budimex SA Energetyka 1 Sp.j.	100.00%	100.00%	100.00%
Budimex SA Energetyka 2 Sp.j.	100.00%*	50.00%	50.00%
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%	50.00%
Budimex SA Cadagua SA III s.c.	99.90%	99.90%	60.00%
Budimex SA Cadagua SA IV s.c.	99.90%	99.90%	60.00%

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Joint operation name	Share in the issued capital and in the number of votes (%)		
	31 March 2019	31 December 2018	31 March 2018
Budimex SA Cadagua SA V s.c.	99.90%	99.90%	60.00%
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%

* 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).

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

Associate	share
FBSerwis SA Group	49.00%
PPHU Promos Sp. z o.o.	26.31%

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

In the 3-month period ended 31 March 2019 there were no changes in the Group structure.

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	2 490 000	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%

The shareholders' structure has not changed compared to data presented in the consolidated financial statements of the Group for the year ended 31 December 2018, published on 26 March 2019.

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

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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”.

Details on the implementation of IFRS 16 are included in note 3.2.

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),
- 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 References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020).

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

3.2. 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”, which lifts the previous division between finance and operating lease and imposes presentation of leases as (until now) finance 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.

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Recognition exempt and practical expedient

The Group decided to use the recognition exempt as stated in IFRS 16 § 5. This means that in case of short-term lease agreements and lease agreements, for which the underlying asset is of low value the Group presents lease payments using linear method or other systematical basis in profit and lost statement as costs. The Group uses the equivalent of 5.000 USD in Polish zloty as low value of the underlying asset. Recognition exempt for short-term lease was chosen for all types of right-of-use assets.

With regards to agreements identified as lease before the first application of IFRS 16, i.e. according to IAS 17, the Group used practical expedient as stated in IFRS 16 and did not re-evaluate identification of lease agreements. Therefore IFRS 16 was not applied to agreements which had not been identified as lease agreements before the day of first application.

First-time application

In case of lease agreements identified as operating lease on the day of first application the Group presented the liability as present value of the remaining lease payments, discounted at the marginal interest rate for the Group lease agreements on the day of the first application. On the other side, the Group presented right-of-use assets equal to value of the lease liability. Due to the fact that the Group did not identify any prepayments or accrued lease payments, which would require adjustment of the right-of-use assets on the day of the first application, lease liabilities and right-of-use assets on the day of first application were in the same value and there was no necessity of adjusting the retained earnings opening balance. Identified right-of-use assets were reviewed in terms of impairment on the day of first application and no impairment losses were recognized.

In case of lease agreements identified as operating lease on the day of first application the Group took advantage of §C9 of IFRS 16 and did not make adjustments to lease agreements in which the underlying assets is of low value. The Group, as Lessee, used practical expedient in §C9 point c) and classified lease agreements ending in 2019 (year of the first application) as short-term lease.

Impact of the first application of IFRS 16 on specific items in the consolidated statement of financial position is as follows:

	31 December 2018	Adjustments due to application of IFRS 16	1 January 2019
Assets			
Non-current assets			
Property, plant and equipment	258 123	37 419	295 542
Investment property	28 365	10 199	38 564
Current assets			
Inventories	1 611 813	84 381	1 696 194
Equity & liabilities			
Non-current liabilities			
Loans, borrowings and other external sources of finance	184 110	115 170	299 280
Current liabilities			
Loans, borrowings and other external sources of finance	54 823	16 829	71 652

Average weighted marginal interest rate of the lessee used by the Group entities for lease liabilities presented in financial statement on the day of first application was equal to 3.01%.

Identifying a lease

At inception of a contract, the Grous shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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Recognition of lease in lessee books

At the commencement date the Group recognises a right-of-use asset and a lease liability.

Right-of use asset is measured at cost, which comprises initial value of lease liability increased by:

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

After the commencement date, a lessee shall measure right-of-use asset, which is subject to depreciation and evaluation for impairment accordingly to IAS 36. The value of the asset is adjusted, if lease liability value has changed due to modification of currently fixed lease payments or lease re-evaluation.

Lease liability is initially measured at present value of the remaining lease payments at the day of measurement. Lease payments are discounted using marginal interest rate calculated for the Group entities.

After the commencement date lease liability is increased by accrued interest and decreased by already paid lease payments. As mentioned above, lease liability value may change by modification of currently fixed lease payments or lease re-evaluation.

Presentation

The Group decided to present right-of-use assets in the same financial statement line, in which assets owned by lessee would be shown. This means, that right-of-use assets are presented in:

- property, plant and equipment (hire/ lease/ rental agreements, office lease, ground temporarily used as construction sites, cars and trucks, the right of perpetual usufruct of land used for own purposes);
- investment property (the right of perpetual usufruct of land);
- inventories (the right of perpetual usufruct of land for development).

Lease liabilities shall be presented by the Group in the „Loans, borrowings and other external finance sources“, disclosing the value of lease liabilities in the notes to the consolidated financial statements.

The right of perpetual usufruct of land for development in terms of IFRS 16

On the basis of general lease definition the Group entities identified that the right of perpetual usufruct of land (considered as operating lease according to IAS 17), is in line with IFRS 16 lease definition and should be presented in the consolidated financial statement as right-of-use asset.

Majority of the right of perpetual usufruct of land relates to land purchased for future development projects. Due to the fact that the already purchased land under the right of perpetual usufruct of land is presented in “Inventories”, the value of new land under the right of perpetual usufruct of land will be presented in the same financial statement line. Inventories are not a subject to depreciation and lease interest costs will be capitalized in line with IAS 23 (until completion of a development project). The Group entities present short and long-term lease liabilities respectively.

The right of perpetual usufruct of land utilized for the Group own purposes is presented under fixed assets and is subject to depreciation. Interest on the lease of the perpetual usufruct is shown in the finance costs of the Group. The Group entities present short and long-term lease liabilities respectively.

The right of perpetual usufruct of land which is used as investment property is presented within this financial statement position. According to the Group’s accounting policy investment property is subject to depreciation. Interest on the lease of the perpetual usufruct is presented in the finance costs of the Group. The Group entities present short and long-term lease liabilities respectively.

The right of perpetual usufruct converted into ownership right

In 2018, the Act on *The conversion of the right of perpetual usufruct of land used for residential housing into the ownership right of the land* entered into force, which caused that from 1 January 2019 the right of perpetual usufruct of lands developed for housing purposes became property.

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In the case of residential buildings under construction as of 1 January 2019, the conversion of the right of perpetual usufruct of land into property takes place at the moment of putting the building into use. Although the conversion of perpetual usufruct into property takes place by virtue of law, it still requires an appropriate certificate that confirms the transformation and indicates the amount of the conversion fee. Pursuant to the Act, the perpetual usufruct fees have been converted into conversion fees, which can be paid for a maximum of 99 years (such period was chosen by the Group's companies). Therefore, plots of land where already completed residential buildings are already no longer subject to the scope of IFRS 16, because they became the property of the Group companies. Thus, the companies recognized a long-term liability (in "Trade and other payables") at the present value of 99 times of the established conversion fee (the first transformation fee is to be paid in 2020) in the amount of PLN 31 509 thousand. The value of inventories (finished products) was increased by the same amount.

The maximum period of payment of the conversion fee / perpetual usufruct fee

In accordance with IFRS 16, the Group entities must recognize lease liabilities as the present value of lease payments for the entire duration of the contract. In the case of perpetual usufruct of land, it might be even up to 99 years. In case of the former perpetual usufruct right, it is a period of 99 years. These periods do not depend on the duration of development projects expected by the Group companies, which usually last up to 5 years. This is a much shorter time than the one on which the value of the lease liability was calculated. Furthermore, after the notarial deed has been signed, the new owner is obliged to pay perpetual usufruct / conversion fee and therefore total assets and total liabilities & equity in the Group's entities financial statements is suddenly reduced, which will cause significant fluctuations between the reporting periods.

Based on the plans of carrying out individual development projects, the Group companies estimate that the present value of future payments of perpetual usufruct fees and conversion fees incurred by the Group's companies until the notarial sale of apartments was equal to PLN 29 773 thousand as of 1 January 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.

	31 March 2019	31 December 2018	31 March 2018
Cash recognised in the statement of financial position	870 125	1 409 152	1 480 006
Cash and cash equivalents of restricted use	(99 335)	(141 124)	(157 700)
Cash recognised in the statement of cash flow	770 790	1 268 028	1 322 306

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

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

In the first quarter of 2019 construction-assembly production in Poland expressed in current prices increased by 13.4% (an increase by 9.4% 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 up 8.46% on the corresponding period.

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Net sales and profitability

	3 months ended		Change in %
	31 March 2019	31 March 2018	
Net sales of finished goods and services	1 380 257	1 338 831	3.09%
Gross profit on sales	105 978	140 241	(24.43%)
Gross profitability on sales	7.68%	10.47%	(2.79 p.p.)
Gross profit on sales in construction segment	71 577	99 134	(27.80%)
Gross profitability on sales in construction segment	5.63%	8.55%	(2.92 p.p.)
Gross profit on sales in developer segment	38 566	37 320	3.34%
Gross profitability on sales in developer segment	20.62%	17.71%	2.91 p.p.
Operating profit	49 966	83 917	(40.46%)
Operating profitability	3.62%	6.27%	(2.65 p.p.)
Net profit	28 810	63 343	(54.52%)
Net profitability	2.09%	4.73%	(2.64 p.p.)

Selling expenses and administrative expenses

	3 months ended		Change in %
	31 March 2019	31 March 2018	
Selling expenses	(6 797)	(7 362)	(7.67%)
Administrative expenses	(52 692)	(53 603)	(1.70%)
Total selling & administrative expenses	(59 489)	(60 965)	(2.42%)
Share of selling & administrative expenses in net sales of finished goods and services	4.31%	4.55%	(0.24 p.p.)

5. Other operating income and expenses

Other operating income

	3 months ended	
	31 March 2019	31 March 2019
Reversal of impairment write-downs against receivables	1 027	451
Reversal of provisions for penalties and sanctions	1 806	5 745
Penalties/ compensations awarded	3 588	4 202
Statute-barred liabilities written-off	1 504	930
Gains on derivative financial instruments	2 734	304
Subsidies received	539	-
Other	163	100
Total	11 361	11 732

Other operating expenses

	3 months ended	
	31 March 2019	31 March 2019
Impairment write-downs against receivables	(1 892)	(2 115)
Compensations and liquidated damages paid	(2 870)	(4 047)
Loss on derivative financial instruments	(2 406)	(302)
Donations	(195)	(316)
Other	(521)	(311)
Total	(7 884)	(7 091)

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6. Finance income and costs

Finance income

	3 months ended	
	31 March 2019	31 March 2019
Interest earned	5 006	9 334
Receivables from service concession arrangement	717	736
Foreign exchange gains	123	74
Other	-	1
Total	5 846	10 145

Finance costs

	3 months ended	
	31 March 2019	31 March 2019
Interest expense	(2 911)	(1 232)
Discount of retentions for construction contracts	(2 012)	(2 549)
Cost of bank commissions and guarantees	(5 642)	(6 157)
Loss on derivative financial instruments	(407)	(316)
Other	(18)	(74)
Total	(10 990)	(10 328)

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 3 months ended 31 March 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.

7. Other important information on activity of the Budimex Group in the I quarter of 2019

Provisions for liabilities and other charges

	31 March 2019	31 December 2018
Provisions for litigation proceedings	23 769	23 870
Provisions for penalties and other sanctions	66 526	68 200
Provisions for warranty repairs	417 449	417 858
Other provisions	54 510	45 316
Total	562 254	555 244
<i>of which:</i>		
- long-term	372 620	367 306
- short-term	189 634	187 938

Income tax in the profit and loss statement

	31 March 2019	31 March 2018
Income tax – current	(29 203)	(18 250)
Income tax – deferred	12 733	694
Income tax in the profit and loss statement	(16 470)	(17 556)

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Other information

	3 months ended	
	31 March 2019	31 marca 2018 roku
Reversal of impairment write-downs of inventories	3 018	4 265
Value of property, plant and equipment, investment property and intangible assets purchased or started to be leased:	60 687	17 757
- of which: increases due to application of IFRS 16	53 630	-
- of which: plant and machinery	4 643	15 264

As at 31 March 2019 the Group did not have any contractual obligations for the purchase of property, plant and equipment. Contractual obligations made by the Group for the purchase of property, plant and equipment as at 31 December 2018 amounted to PLN 784 thousand.

The scale of operations in the construction segment was larger than in the comparable quarter and had a significant impact on the cash and cash equivalents, which decreased by PLN 539 027 thousand. This effect is observed seasonally because at the end of each financial year public clients regulate many invoices or make prepayments, which are settled in the first months of the next year.

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.

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

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

Other business conducted does not meet the requirements of reportable segment. Included in other business are entities that mainly conduct public-private partnerships.

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The results of segments for the first quarter of 2019 are presented in the table below:

Segment name	Construction business	Property management and developer business	Other business	Consolidation adjustments	Consolidated value
External sales	1 192 633	186 917	707	-	1 380 257
Inter-segment sales	79 132	118	1	(79 251)	-
Total sales of finished goods, goods for resale and raw materials	1 271 765	187 035	708	(79 251)	1 380 257
Gross profit	71 577	38 566	431	(4 596)	105 978
Selling expenses	(2 630)	(4 167)	-	-	(6 797)
Administrative expenses	(50 102)	(6 868)	(21)	4 299	(52 692)
Other operating income/ (expenses), net	3 421	57	(1)	-	3 477
Operating profit	22 266	27 588	409	(297)	49 966
Finance income/(costs), net	(5 217)	151	38	(116)	(5 144)
Shares in profits of equity accounted subordinates	-	-	458	-	458
Income tax expense	(11 328)	(5 329)	109	78	(16 470)
Net profit for the period	5 721	22 410	1 014	(335)	28 810

The results of segments for the first quarter of 2018 are presented in the table below:

Segment name	Construction business	Property management and developer business (restated)	Other business (restated)	Consolidation adjustments	Consolidated value
External sales	1 097 960	210 564	30 307	-	1 338 831
Inter-segment sales	61 505	217	6 880	(68 602)	-
Total sales of finished goods, goods for resale and raw materials	1 159 465	210 781	37 187	(68 602)	1 338 831
Gross profit	99 134	37 320	6 242	(2 455)	140 241
Selling expenses	(2 376)	(3 608)	(1 378)	-	(7 362)
Administrative expenses	(49 554)	(6 807)	(1 569)	4 327	(53 603)
Other operating income, net	4 700	(115)	31	25	4 641
Operating profit	51 904	26 790	3 326	1 897	83 917
Finance income/ (costs), net	(1 199)	767	333	(84)	(183)
Shares in (losses) of equity accounted subordinates	-	-	(2 835)	-	(2 835)
Income tax expense	(11 333)	(5 291)	(587)	(345)	(17 556)
Net profit/ (loss) for the period	39 372	22 266	237	1 468	63 343

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

9.1. Sales revenue, by type of good or service

In the first quarter 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	Other business	Consolidation adjustments	Consolidated financial data
Sales of construction and assembly services	1 249 724	-	-	(74 952)	1 174 772
Sales of other services	9 657	2 118	708	(4 299)	8 184
Sales of finished goods	10 258	182 867	-	-	193 125
Sales of goods for resale and raw materials	2 126	2 050	-	-	4 176
Total sales of finished goods, goods for resale and raw materials	1 271 765	187 035	708	(79 251)	1 380 257

In the first quarter 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	Other business	Consolidation adjustments	Consolidated financial data
Sales of construction and assembly services	1 142 425	-	34 359	(64 171)	1 112 613
Sales of other services	4 012	1 858	1 299	(4 431)	2 738
Sales of finished goods	11 020	207 065	1 488	-	219 573
Sales of goods for resale and raw materials	2 008	1 858	41	-	3 907
Total sales of finished goods, goods for resale and raw materials	1 159 465	210 781	37 187	(68 602)	1 338 831

9.2. Sales revenue, by geographical area

In the first quarter 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	Other business	Consolidation adjustments	Consolidated financial data
Poland	1 193 595	187 035	708	(79 251)	1 302 087
Germany	50 502	-	-	-	50 502
Other EU countries	27 655	-	-	-	27 655
Other countries	13	-	-	-	13
Total sales of finished goods, goods for resale and raw materials	1 271 765	187 035	708	(79 251)	1 380 257

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In the first quarter 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	Other business	Consolidation adjustments	Consolidated financial data
Poland	1 100 482	210 781	35 408	(68 602)	1 278 069
Germany	45 582	-	158	-	45 740
Other EU countries	13 329	-	1 474	-	14 803
Other countries*	72	-	147	-	219
Total sales of finished goods, goods for resale and raw materials	1 159 465	210 781	37 187	(68 602)	1 338 831

*other countries are Ukraine and Russia

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 Budimex Group operating segment were additionally analysed by type of construction objects. Data for the first quarter of 2019 and the first quarter of 2018 were as follows:

Type of construction	Sales revenue for a 3-month period ended:	
	31 March 2019	31 March 2018
Land-engineering	452 167	317 568
Railway	157 807	101 955
General construction, of which:	661 791	739 942
- non-residential	532 142	556 554
- residential	129 649	183 388
Net sales of finished goods, goods for resale and raw materials –Construction business segment	1 271 765	1 159 465

10. Related party transactions

Transactions with related parties made in the first quarter of 2019 and in the first quarter of 2018 and unsettled balances of receivables and liabilities as at 31 March 2019 and 31 December 2018 are presented in the tables below:

	Receivables		Liabilities	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018
Parent and it related parties (the Ferrovia Group)	1 490	1 490	43 650	32 952
Jointly controlled entities	4 847	12 065	976	911
Associates	2	298	163	425
Other related entities – non-consolidated subsidiaries*	-	233	-	24
Other related entities – other*	6	14	-	-
Other related entities – through key personnel*	-	-	1 439	5 575
Total settlements with related parties	6 345	14 100	46 228	39 887

	Loans granted / acquired debt securities		Loans taken out / issued debt securities	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018
Parent and it related parties (the Ferrovia Group)	-	-	-	9 019
Associates	74 146	74 145	-	-
Total settlements with related parties	74 146	74 145	-	9 019

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	Sales of finished goods and services		Purchase of finished goods and services	
	3-month period ended 31 March		3-month period ended 31 March	
	2019	2018	2019	2018
Parent and it related parties (the Ferrovia Group)	-	50	(10 415)	(11 373)
Jointly controlled entities	3 637	10 047	(46)	(83)
Associates	77	78	(137)	(1 261)
Other related entities – non-consolidated subsidiaries*	-	12	-	(45)
Other related entities – through key personnel*	4 385	-	(2)	-
Total transactions with related parties	8 099	10 187	(10 600)	(12 762)

	Finance income		Finance costs	
	3-month period ended 31 March		3-month period ended 31 March	
	2019	2018	2019	2018
Parent and it related parties (the Ferrovia Group)	-	-	(12)	(12)
Associates	1 046	915	-	-
Total transactions with related parties	1 046	915	(12)	(12)

*) 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.

12. Description of significant achievements or failures of the Budimex Group in the I quarter of 2019, key events concerning the Group's operations and significant events after 31 March 2019

In the first quarter of 2019 the results of the Budimex Group were weaker than in the corresponding period of the previous year. The drop in profitability concerned the construction segment and resulted mainly from the progressive cost inflation in the construction industry. The Budimex Group 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.

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The order portfolio of the Budimex Group is profitable and ensures adequate workload for subsequent quarters. In the first quarter of 2019 a contract was signed for "Modernization of railway line No. 7 on the section Dęblin - Nałęczów from km 107.283 to km 146.320", which will translate into a better use of production capacity in the railway segment this year. The order backlog as at 31 March 2019 amounted to PLN 10 482 685 thousand. The value of contracts signed in the period January - March 2019 amounted to PLN 1 183 723 thousand.

The cash position of the Budimex Group is stable and allows for uninterrupted operation; consequently, earlier payments to subcontractors and suppliers are offered.

The developer segment improved profitability in the first quarter of 2019. The number of pre-sold apartments in the period January - March 2019 (without reservation) is 265 units, which means pre-sale similar to the level from 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.

On 24 April 2019 Budimex SA sold its only investment property, located at ul. Ujastek in Kraków, to an associated company of Promos Sp. z o.o. for PLN 6 300 thousand net. The result of the transaction will be settled in the books of Budimex SA in April 2019. As the property was partially used by other Group companies, its corresponding percentage was presented as property, plant and equipment in the consolidated financial statements of the Budimex Group.

In the period after 31 March 2019 to the date of the financial statement no other significant events took place.

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

In the first quarter 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.

15. Statement of ownership of shares of Budimex SA or rights to such shares (options) held by the managing or supervisory persons of Budimex SA as at the date of publication of this report together with indication of changes in the ownership in the I 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 the date of publication of the annual report for the year 2018, i.e. 26 March 2019.

16. Proceedings pending as at 31 March 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 31 March 2019 was PLN 310 188 thousand. Excess of the value of proceedings against Group companies over proceedings relating to claims of Group companies amounted to PLN 118 636 thousand.

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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 31 March 2019 was PLN 214 412 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 Ferrovia Agroman SA, operating as a consortium, in connection with the performance of the contract called „Construction of new premises of Muzeum Śląskie in Katowice” concluded on 7 June 2011. The claimant requested that either the amount of PLN 122 758 thousand, together with statutory interest calculated as of the date of claim filing, was awarded jointly and severally against the defendants towards undue performance of the contract, or the defendants were ordered to reduce contract transaction price by the amount of PLN 34 675 thousand being the reimbursement of the unfairly, as stated by the claimant, paid contract consideration. Art. 471 of the Civil Code was named as the basis for the principal claim, while the provisions of contractor warranty for defects in the constructed facility – for the alternative claim (*żądanie ewentualne*).

In the opinion of the Management Board of Budimex SA, the claim is unjustified. The irregularities, if any, which the claimant names as the basis for its action do not result from contract performance or undue performance by the consortium. In addition, due contract performance was confirmed by the claimant by the issued Certificate of Acquisition and Certificate of Completion of premises of Muzeum Śląskie in Katowice. In the opinion of the Management Board, the reported provisions cover the risks related to contract performance. Budimex SA filed its reply to said claim on 31 October 2017. It was supplemented by Budimex SA in January 2018. Ferrovia 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.

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

As at the date of 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 95 776 thousand as at 31 March 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.

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17. Contingent assets and contingent liabilities

	31 March 2019	31 December 20178
<u>Contingent assets</u>		
From other entities		
– guarantees and sureties received	580 357	583 363
– bills of exchange received as security	6 631	6 083
From other entities, total	586 988	589 446
Other contingent assets	-	12 000
Total contingent assets	586 988	601 446
<u>Contingent liabilities</u>		
To related parties, of which:		
– guarantees and sureties issued	1 537	1 537
To related parties, total	1 537	1 537
To other entities, of which:		
– guarantees and sureties issued	3 521 240	3 540 626
– promissory notes issued as performance bond	27 191	21 520
To other entities, total	3 548 431	3 562 146
Total contingent liabilities	3 549 968	3 563 683
Total contingent items	(2 962 980)	(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.

At Budimex SA, customs and tax audit is currently carried out with regard to the reliability of the declared tax bases and the correctness of calculating and paying corporate income tax for 2012. The subject of the audit are, in particular, intangible services acquired by the Company, as well as the acquisition of PNI Sp. z o.o., consequences of the bankruptcy of the company and the sale of its shares to Budimex Kolejnictwo SA. In the opinion of the Management Board of Budimex SA, the transactions were settled correctly. At the time of preparing these financial statements, the result of the audit has not been issued. Another tax audit regarding the correctness of the calculation of corporate income tax for 2013 was started. As of today, the initial verification of the Company's books is under way.

The BUDIMEX Group

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



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

Guarantees and sureties issued by Budimex SA as at 31 March 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	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	127 930	2025-08-13	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.	111 305*	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	Budimex Bau GmbH	44	2019-12-31	free of charge	subsidiary
Budimex SA	Budimex Kolejnictwo SA	66 526	2027-03-31	against payment	subsidiary
Budimex SA	FBSerwis SA	1 537	2020-10-30	against payment	associate
TOTAL		317 608			

*sureties were issued for contracts realised by Budimex SA

Management Board Member

Management Board Member

Jacek Daniewski

Marcin Węglowski

Warsaw, 26 April 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.