



**THE BUDIMEX GROUP**

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**for III quarters of 2018**

**prepared in accordance with  
International Financial Reporting Standards**

## The BUDIMEX Group

The condensed consolidated financial statements for III quarters of 2018 prepared in accordance with International Financial Reporting Standards



*(all amounts are expressed in PLN thousand)*

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### Consolidated statement of financial position

<b>ASSETS</b>	<b>30 September 2018</b> <i>not audited</i>	<b>31 December 2017</b> <i>audited</i>
<b>Non-currents (long-term) assets</b>		
Property, plant and equipment	206 584	162 422
Investment properties	28 556	24 623
Intangible assets	26 635	30 163
Goodwill of subordinated entities	73 237	73 237
Investments in equity accounted entities	38 011	39 228
Investments in equity instruments	10 460	9 501
Retentions for construction contracts	42 882	30 138
Trade and other receivables	43 575	39 341
Receivables from service concession agreement	46 354	46 440
Other financial assets	70 993	67 033
Deferred tax assets	392 935	405 208
<b>Total non-current (long-term) assets</b>	<b>980 222</b>	<b>927 334</b>
<b>Current (short-term) assets</b>		
Inventories	1 575 193	1 425 100
Trade and other receivables	869 391	689 939
Retentions for construction contracts	27 583	27 812
Valuation of long-term construction contracts	985 092	483 501
Current tax assets	64	30 298
Other financial assets	5 841	286 533
Cash and cash equivalents	828 263	2 126 839
<b>Total current (short-term) assets</b>	<b>4 291 427</b>	<b>5 070 022</b>
<b>TOTAL ASSETS</b>	<b>5 271 649</b>	<b>5 997 356</b>

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**Consolidated statement of financial position (cont.)**

<b>EQUITY AND LIABILITIES</b>	<b>30 September 2018</b> <i>not audited</i>	<b>31 December 2017</b> <i>audited</i>
<b>Equity</b>		
Issued capital	145 848	145 848
Share premium	87 163	87 163
Other reserves	2 557	2 557
Foreign exchange differences on translation of foreign operations	6 735	5 342
Retained earnings	421 655	640 533
<b>Total shareholders' equity attributable to the shareholders of the Parent</b>	<b>663 958</b>	<b>881 443</b>
<b>Equity attributable to non-controlling interests</b>	<b>-</b>	<b>685</b>
<b>Total equity</b>	<b>663 958</b>	<b>882 128</b>
<b>Liabilities</b>		
<b>Non-current (long-term) liabilities</b>		
Loans, borrowings and other external sources of finance	137 925	92 086
Retentions for construction contracts	212 817	203 643
Provision for long-term liabilities and other charges	322 411	305 858
Retirement benefits and similar obligations	10 207	11 086
Other financial liabilities	1 452	2 250
<b>Total non-current (long-term) liabilities</b>	<b>684 812</b>	<b>614 923</b>
<b>Current (short-term) liabilities</b>		
Loans, borrowings and other external sources of finance	46 066	30 324
Trade and other payables	1 681 107	1 697 984
Retentions for construction contracts	218 177	217 193
Provisions for construction contract losses	201 802	243 829
Valuation of long-term construction contracts	419 118	783 209
Deferred income	1 103 692	1 345 267
Provision for short-term liabilities and other charges	223 213	170 762
Current tax liability	26 572	3 404
Retirement benefits and similar obligations	1 431	1 537
Other financial liabilities	1 701	6 796
<b>Total current (short-term) liabilities</b>	<b>3 922 879</b>	<b>4 500 305</b>
<b>Total liabilities</b>	<b>4 607 691</b>	<b>5 115 228</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>5 271 649</b>	<b>5 997 356</b>

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(all amounts are expressed in PLN thousand)

### Consolidated income statement

	9-month period ended 30 September		3-month period ended 30 September	
	2018	2017	2018	2017
	<i>not audited</i>		<i>not audited</i>	
<b>Continuing operations</b>				
Net sales of finished goods, services, goods for resale and raw materials	5 389 675	4 553 359	2 087 014	1 831 587
Cost of finished goods, services, goods for resale and raw materials	(4 943 962)	(3 971 496)	(1 927 792)	(1 601 818)
<b>Gross profit on sales</b>	<b>445 713</b>	<b>581 863</b>	<b>159 222</b>	<b>229 769</b>
Selling expenses	(22 081)	(24 516)	(7 211)	(8 213)
Administrative expenses	(164 856)	(153 488)	(54 318)	(51 166)
Other operating income	35 991	37 529	11 727	17 114
Other operating expenses	(27 062)	(15 096)	(11 839)	(10 366)
Profit on disposal of subsidiaries	44 011	-	44 011	-
<b>Operating profit</b>	<b>311 716</b>	<b>426 292</b>	<b>141 592</b>	<b>177 138</b>
Finance income	22 903	26 878	5 615	8 223
Finance costs	(29 394)	(29 932)	(9 016)	(9 462)
Share in net profits/ (losses) of equity accounted subordinates	(1 217)	(2 735)	2 456	915
<b>Gross profit</b>	<b>304 008</b>	<b>420 503</b>	<b>140 647</b>	<b>176 814</b>
Income tax	(73 188)	(83 293)	(37 915)	(34 385)
<b>Net profit from continuing operations</b>	<b>230 820</b>	<b>337 210</b>	<b>102 732</b>	<b>142 429</b>
<b>Net profit for the period</b>	<b>230 820</b>	<b>337 210</b>	<b>102 732</b>	<b>142 429</b>
<i>of which:</i>				
<b>Attributable to the shareholders of the Parent</b>	<b>230 707</b>	<b>337 039</b>	<b>102 660</b>	<b>142 401</b>
<i>Attributable to non-controlling interests</i>	<i>113</i>	<i>171</i>	<i>72</i>	<i>28</i>
<i>Basic and diluted earnings per share attributable to the shareholders of the Parent (in PLN)</i>	<i>9.04</i>	<i>13.20</i>	<i>4.02</i>	<i>5.58</i>

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(all amounts are expressed in PLN thousand)

### Consolidated statement of comprehensive income

	9-month period ended 30 September		3-month period ended 30 September	
	2018	2017	2018	2017
	<i>not audited</i>		<i>not audited</i>	
<b>Net profit for the period</b>	<b>230 820</b>	<b>337 210</b>	<b>102 732</b>	<b>142 429</b>
<b>Other comprehensive income which:</b>				
<i>Items to be reclassified to profit or loss upon satisfaction of certain conditions:</i>				
Foreign exchange differences on translation of foreign operations	1 393	(77)	(209)	212
Income 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	-	-	-	-
<b>Other comprehensive income</b>	<b>1 393</b>	<b>(77)</b>	<b>(209)</b>	<b>212</b>
<b>Total comprehensive income for the period</b>	<b>232 213</b>	<b>337 133</b>	<b>102 523</b>	<b>142 641</b>
<i>Of which:</i>				
<b>Attributable to the shareholders of the Parent</b>	<b>232 100</b>	<b>336 962</b>	<b>102 451</b>	<b>142 613</b>
Attributable to non-controlling interests	113	171	72	28

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### 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)					
<b>Balance as at 1 January 2018</b> <i>audited</i>	145 848	87 163	7 171	(4 614)	5 342	640 533	881 443	685	882 128
Profit for the period	-	-	-	-	-	230 707	230 707	113	230 820
Other comprehensive income	-	-	-	-	1 393	-	1 393	-	1 393
<b>Total comprehensive income for the period</b>	-	-	-	-	1 393	230 707	232 100	113	232 213
Dividends	-	-	-	-	-	(449 585)	(449 585)	-	(449 585)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	(134)	(134)
Disposal of subsidiaries	-	-	-	-	-	-	-	(664)	(664)
<b>Balance as at 30 September 2018</b> <i>not audited</i>	145 848	87 163	7 171	(4 614)	6 735	421 655	663 958	-	663 958

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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		Foreign exchange differences on translation of foreign operations	Retained earnings			
			Share-based payments	Actuarial gains/(losses)					
<b>Balance as at 1 January 2017</b> <i>audited</i>	145 848	87 163	7 171	(2 446)	5 525	558 116	801 377	4 443	805 820
Profit for the period	-	-	-	-	-	337 039	337 039	171	337 210
Other comprehensive income	-	-	-	-	(77)	-	(77)	-	(77)
<b>Total comprehensive income for the period</b>	-	-	-	-	(77)	337 039	336 962	171	337 133
Dividends	-	-	-	-	-	(382 696)	(382 696)	-	(382 696)
Increase in share in subsidiaries	-	-	-	-	-	705	705	(3 945)	(3 240)
<b>Balance as at 30 September 2017</b> <i>not audited</i>	145 848	87 163	7 171	(2 446)	5 448	513 164	756 348	669	757 017
Profit for the period	-	-	-	-	-	127 369	127 369	15	127 384
Other comprehensive income	-	-	-	(2 168)	(106)	-	(2 274)	1	(2 273)
<b>Total comprehensive income for the period</b>	-	-	-	(2 168)	(106)	127 369	125 095	16	125 111
<b>Balance as at 31 December 2017</b> <i>audited</i>	145 848	87 163	7 171	(4 614)	5 342	640 533	881 443	685	882 128

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**Consolidated statement of cash flows**

	<b>9-month period ended 30 September</b>	
	<b>2018</b> <i>not audited</i>	<b>2017</b> <i>not audited</i>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Net profit before tax</b>	<b>304 008</b>	<b>420 503</b>
<b>Adjustments for:</b>		
Depreciation/ amortization	37 504	26 718
Share in net losses of equity accounted companies	1 217	2 735
Foreign exchange (gains)/ losses	(658)	(400)
Interest and shares in profits (dividends)	(1 954)	(1 575)
(Profit)/ loss on investing activities	(46 853)	(2 800)
Change in valuation of derivative financial instruments	760	(2 379)
Change in provisions and liabilities arising from retirement benefits and similar obligations	73 727	49 139
Other adjustments	1 481	673
<b>Operating profit before changes in working capital</b>	<b>369 232</b>	<b>492 614</b>
Change in receivables and retentions for construction contracts	(220 509)	(252 045)
Change in inventories	(150 581)	(229 752)
Change in retentions for construction contracts and in liabilities, except for loans and borrowings	50 014	109 376
Change in deferred income	(240 606)	219 931
Change in valuation of construction contracts and in provision for losses	(931 752)	(864 581)
Change in cash and cash equivalents of restricted use	15 053	110 952
<b>Cash flow from /used in operating activities</b>	<b>(1 109 149)</b>	<b>(413 505)</b>
Income tax paid	(8 985)	(109 325)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(1 118 134)</b>	<b>(522 830)</b>

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**Consolidated statement of cash flows (cont.)**

	<b>9-month period ended 30 September</b>	
	<b>2018</b> <i>not audited</i>	<b>2017</b> <i>not audited</i>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of intangible assets and property, plant and equipment	11 107	2 828
Proceeds from sale of investment property	-	2 803
Purchase of intangible assets and property, plant and equipment	(14 843)	(17 002)
Disposal of subsidiaries	34 511	-
Purchase of shares in subsidiaries	-	(3 240)
Increase in issued capital of non-consolidated entities	(1 060)	-
Purchase of bonds issued by banks	(238 868)	(437 160)
Proceeds from bonds issued by banks	516 877	208 632
Loans granted	(6 860)	(51 653)
Interest received	5 131	1 498
<b>NET CASH FROM/USED IN INVESTING ACTIVITIES</b>	<b>305 995</b>	<b>(293 294)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of loans and borrowings	(726)	(769)
Dividends paid to the shareholders of the Parent	(449 585)	(382 696)
Dividends paid to non-controlling shareholders	(134)	-
Payment of liabilities under finance lease	(18 200)	(8 978)
Interest paid	(3 121)	(1 921)
Other finance expenditure	(487)	(482)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(472 253)</b>	<b>(394 846)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(1 284 392)</b>	<b>(1 210 970)</b>
Foreign exchange differences, net	869	163
<b>CASH AND CASH EQUIVALENTS - OPENING BALANCE (note 3.3)</b>	<b>1 961 849</b>	<b>2 524 033</b>
<b>CASH AND CASH EQUIVALENTS - CLOSING BALANCE (note 3.3)</b>	<b>678 326</b>	<b>1 313 226</b>

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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”) with its registered office in Warsaw, ul. Stawki 40, entered in the Register of Entrepreneurs kept by the District Court for the capital city of Warsaw, XII Economic Department of the National Court Register under KRS No. KRS 0000001764. The main area of business of Budimex SA 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 30 September 2018, 31 December 2017 and 30 September 2017 the following subsidiaries were subject to consolidation:

Company name	Registered office	Share in the share capital and in the number of votes as at		
		30 September 2018	31 December 2017	30 September 2017
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%*	100.00%*
Budimex Budownictwo Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
SPV-PIM 1 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	100.00%	100.00%	100.00%
Elektromontaż Poznań SA Group**	Poznań / Poland	-	98.95%	98.95%

\* the entity was consolidated for the first time as of 1 February 2018. It was sold on 17 September 2018, as described in detail in note 1.3.

\*\* the entities were sold on 17 September 2018, as described in detail in note 1.3.

As at 30 September 2018, 31 December 2017 and 30 September 2017 stand-alone data of Budimex SA and other Group companies, which are partners in consortiums (treated as joint operations according to IFRS 11), includes their share in assets, liabilities, revenue and expenses of the following joint operations:

Joint operation	Share in the share capital and in the number of votes		
	30 September 2018	31 December 2017	30 September 2017
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 Ferrovial Agroman SA s.c.	99.98%	99.98%	99.98%
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 Cadagua SA II s.c.	99.90%*	50.00%	50.00%

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Joint operation	Share in the share capital and in the number of votes		
	30 September 2018	31 December 2017	30 September 2017
Budimex SA Cadagua SA III s.c.	99.90%*	60.00%	60.00%
Budimex SA Cadagua SA IV s.c.	99.90%*	60.00%	60.00%
Budimex SA Cadagua SA V s.c.	99.90%*	60.00%	60.00%
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 2 Sp.j.	50.00%	50.00%	50.00%
Budimex SA Energetyka 3 Sp.j.	50.00%	50.00%	50.00%

\* on 3 September 2018 a shareholders' agreement entered into force. It changed the percentage of shares and the number of votes held by Budimex to 99.90%. Details in note 1.3.

As at 30 September 2018, 31 December 2017 and 30 September 2017 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

On 1 February 2018, the court of registration registered division of Elektromontaż Poznań SA effected by spinning-off property management operations and transferring them to Budimex Inwestycje "Grunwald" SA. Following this division, the issued capital of Elektromontaż Poznań SA decreased from PLN 54 082 thousand to PLN 18 388 thousand (following decrease in the nominal value of shares from PLN 10.00 to PLN 3.40), while the issued capital of Budimex Inwestycje "Grunwald" SA was increased from PLN 100 thousand to PLN 35 794 thousand (by way of the issue of new shares with a nominal value of PLN 0.10 each). Thereby, as of 1 February 2018, consolidation covered Budimex Inwestycje "Grunwald" SA, which – by that time - had no significant assets and was treated as a non-material entity from the Budimex Group perspective. The above spin-off based division did not have any material impact on the consolidated financial statements other than change in the structure of operating segments – prior to the division, the Elektromontaż Poznań SA Group companies were all presented under other operating activities, while after the division, the operations relating to property management transferred to Budimex Inwestycje "Grunwald" SA were allocated to the segment of development activities and property management. Due to the changes in the structure described above the comparable data was restated – please see the details in notes 5 and 6.

On 24 April 2018, the liquidation of subsidiaries of Elektromontaż Poznań SA was commenced: Elektromontaż Warszawa SA, Elektromontaż Import Sp. z o.o. and Instal Polska Sp. z o.o. In the previous financial years they did not conduct any operating activities, so their liquidation did not affect the consolidated financial statements.

On 3 September 2018, an agreement between Budimex SA and Cadagua SA entered into force, including arrangements for reduction of the shares held by Cadagua SA in joint operations, ie Budimex SA Cadagua SA II s.c., Budimex SA Cadagua SA III s.c., Budimex SA Cadagua SA IV s.c. and Budimex SA Cadagua SA V s.c. down to the level of 0.1% share in each company. The final settlement with Cadagua SA is planned for October 2018.

#### Disposal of shares in Elektromontaż Poznań SA

On 17 September 2018 Budimex SA concluded with PG Energetyka Sp. z o.o. a sales agreement of 5 351 890 shares of Elektromontaż Poznań SA with a total nominal value of PLN 18 196 thousand, representing 98.95% of the share capital and entitling to 98.95% of votes at the general meeting of the company. The buyer paid PLN 64 990 thousand for the shares sold. All received payment was transferred in the form of cash and cash equivalents. Along with the company sold, direct subsidiaries of Elektromontaż Poznań SA, i.e. Elektromontaż Warszawa SA in liquidation, Elektromontaż Import Sp. z o.o. in liquidation and Instal Polska Sp. z o.o. in liquidation were excluded from the

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consolidation. The sale of shares of Elektromontaż Poznań SA was made together with the sale of shares of Biuro Inwestycji "Grunwald" SA.

### Analysis of assets and liabilities of Elektromontaż Poznań SA Group, over which control was lost

	<b>2018</b>
<b>Non-current assets</b>	
Property, plant and equipment	2 985
Deferred tax assets	4 782
Other non-current assets	1 083
<b>Current assets</b>	
Trade and other receivables	22 746
Valuation of long-term construction contracts	26 350
Cash and cash equivalents	25 924
Other current assets	2 079
<b>Non-current liabilities</b>	
Retentions for construction contracts	(3 748)
Provisions for long-term liabilities and other charges	(4 723)
Other non-current liabilities	(947)
<b>Current liabilities</b>	
Trade and other payables	(48 767)
Retentions for construction contracts	(3 226)
Valuation of long-term construction contracts	(2 080)
Other current liabilities	(1 343)
<b>Net assets sold</b>	<b>21 115</b>

### Profit from disposal of subsidiary

	<b>2018</b>
Payment received	64 990
Net assets	(21 115)
Non-controlling interest	206
<b>Profit from disposal of subsidiary (operating result)</b>	<b>44 081</b>
Income tax – current part (paid on stand-alone basis)	(12 763)
Income tax – deferred part (consolidation adjustment)	(184)
<b>Profit from disposal of a subsidiary (net result)</b>	<b>31 134</b>

### Net cash receipts from disposal

	<b>2018</b>
Payment received in form of cash and cash equivalents	64 990
Cash and cash equivalents in Elektromontaż Poznań SA	(25 924)
<b>Net cash receipts from disposal</b>	<b>39 066</b>

### Disposal of shares in Biuro Inwestycji "Grunwald" SA

On 17 September 2018, Budimex SA concluded with Raven 9 Sp. z o.o. a contract for the sale of 354 224 740 shares of Biuro Inwestycji "Grunwald" SA with a total nominal value of PLN 35 422 thousand, representing 98.95% of the share capital and entitling to 98.95% of votes at the general meeting of the company. The buyer paid PLN 43 078 thousand for the shares sold. All received payment was transferred in the form of cash and cash equivalents. The sale of shares of Biuro Inwestycji "Grunwald" SA was made together with the sale of shares of Elektromontaż Poznań SA.

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### Analysis of assets and liabilities of Biuro Inwestycji "Grunwald" SA, over which control was lost

	<u>2018</u>
<b>Current assets</b>	
Cash and cash equivalents	47 633
Other current assets	9
<b>Non-current liabilities</b>	
Other non-current liabilities	(5)
<b>Current liabilities</b>	
Trade and other payables	(3 937)
Other current liabilities	(94)
<b>Net assets sold</b>	<u><b>43 606</b></u>
<b>Loss from disposal of a subsidiary</b>	
	<u><b>2018</b></u>
Payment received	43 078
Net assets	(43 606)
Non-controlling interest	458
<b>Loss from disposal of a subsidiary (operating result and net result)</b>	<u><b>(70)</b></u>
<b>Net cash receipts from disposal</b>	
	<u><b>2018</b></u>
Payment received in form of cash and cash equivalents	43 078
Cash and cash equivalents in Biuro Inwestycji "Grunwald" SA	(47 633)
<b>Net cash receipts from disposal</b>	<u><b>(4 555)</b></u>

In the 9-month period ended 30 September 2018 there were no other 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 financial statement 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) - Ferroviol 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%
<b>Total</b>		<b>25 530 098</b>	<b>100.00%</b>	<b>25 530 098</b>	<b>100.00%</b>

The above data presents the shareholding structure as at the last General Meeting of Shareholders of 17 May 2018.

### **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, with the exception of the application of new or amended standards and interpretations applicable to annual periods beginning on 1 January 2018 and later. Details of accounting policies adopted by the Group were described in the consolidated financial statements of the Group for the year ended 31 December 2017, published on 22 March 2018.

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 have been noted that would indicate a threat to ability to continue as a going concern.

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

- IFRS 9 „Financial Instruments”,
- Amendments to IFRS 2 „Share-based Payment” – Classification and Measurement of Share-based Payment Transactions,
- Amendments to IAS 40 “Investment Property” - Transfers of Investment Property,
- Annual Improvements to IFRSs (Cycle 2014-2016) – annual improvements to IFRS (IFRS 1 and IAS 28), mainly with a view to removing inconsistencies and ensuring wording clarification,
- IFRIC 22 „Foreign Currency Transactions and Advance Consideration”.

Details on the implementation of IFRS 9 were described in the half-year condensed consolidated financial statements of the Budimex Group. The implementation of other amendments to standards and interpretations had no material impact on the consolidated financial statements.

#### ***Standards, amendments to standards and interpretations already published, but not yet effective***

At the date of the authorization of the condensed consolidated financial statements, the Group did not apply the following standard, amendments to standards and interpretations, which had been issued and authorised for use in the EU, but were not yet effective:

- IFRS 16 „Leases” (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IFRS 9 „Financial Instruments” – “Prepayment option with negative compensation” (effective for annual periods beginning on or after 1 January 2019),
- IFRIC 23 „Uncertainty over Income Tax Treatments” (effective for annual periods beginning on or after 1 January 2019).

The Group has elected not to use the opportunity of early adoption of IFRS 16. The Group currently estimates that the application of IFRS 16 „Leases” may, to some extent, increase both its non-current assets and its financial liabilities. At the same time, positive impact on operating result and negative impact on the result from financing activities are expected. The value of future (undiscounted) payments under operating lease which would be recognised as financial assets/ financial liabilities as at 31 December 2017 was disclosed in the consolidated financial statements of the Group for the year ended 31 December 2017, published on 22 March 2018.

#### ***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 and amendments to standards, which as at the date of the preparation of these consolidated financial statements were not yet adopted for use:

- 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),

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- Amendments to IAS 19 „Employee benefits” – Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IAS 28 „Investments in Associates and Joint Ventures” - Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019),
- Annual Improvements to IFRSs (Cycle 2015-2017), effective for annual periods beginning on or after 1 January 2019,
- 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 amendments to standards 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 financial statements the Budimex Group applied for the first time IFRS 9 „Financial Instruments”. The Group decided not to restate data of the previous periods and to present any possible impact of the first application in the opening balance of the retained earnings.

Main assumptions of the accounting principles applied by the Group as at the date of the first application of IFRS 9 were included in the half-year condensed consolidated financial statements of the Group published on 30 August 2018.

### 3.3. Cash recognized 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 funds on split payment 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 2018	31 December 2017	30 September 2017
<b>Cash recognised in the statement of financial position</b>	<b>828 263</b>	<b>2 126 839</b>	<b>1 393 375</b>
Cash and cash equivalents of restricted use	(149 937)	(164 990)	(80 149)
<b>Cash recognised in the statement of cash flow</b>	<b>678 326</b>	<b>1 961 849</b>	<b>1 313 226</b>

## 4. Descriptions of factors and events which had a material effect on the financial result of the Budimex Group for three quarters of 2018

In the 9-month period ended 30 September 2018, the Budimex Group earned sales revenue of PLN 5 389 675 thousand which means a 18.37% increase on the corresponding period of 2017. The sales revenue of the Budimex Group for the third quarter of 2018 only amounted to PLN 2 087 014 thousand and was PLN 748 183 thousand higher (55.88%) than in the first quarter of 2018 and PLN 123 184 thousand (6.27%) higher than the sales revenue in the second quarter of 2018. Compared to the corresponding period of the previous year the sales revenue in the third quarter of the current year was PLN 255 427 thousand higher (13.95%).

In the period of three quarters of 2018 construction-assembly production in Poland expressed in current prices increased by 22.9% compared to the corresponding period of the prior year (an increase by 19.8% in fixed prices), while sales of the construction segment of the Budimex Group on the home market were up 18.13% on the corresponding period.

Gross profit on sales in the 9-month period ended 30 September 2018 was PLN 445 713 thousand, while in the corresponding period of the prior year it amounted to PLN 581 863 thousand. The gross sales profitability ratio was therefore 8.27% for three quarters of 2018, while in the corresponding period of the previous year the ratio was 12.78%.

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On the other hand, the gross profitability ratio was 7.63% in the third quarter of 2018 compared to 12.54% in the corresponding period of 2017.

In the 9-month period ended 30 September 2018 the gross profit on sales in the construction segment amounted to PLN 353 310 thousand and was lower by PLN 135 871 thousand compared to the corresponding period of the prior year and the gross sales profitability ratio of construction segment for the 9-month period ended 30 September 2018 was 6.93% (11.34% in the corresponding period of 2017). In turn, the gross profit on sales in the developer segment in the 9-month period ended 30 September 2018 was PLN 86 928 thousand, while in the corresponding period of the prior year it amounted to PLN 79 957 thousand. The gross sales profitability ratio of the developer segment increased from 20.61% in the 9-month period ended 30 September 2017 to 21.12% in the corresponding period of the current year.

Selling expenses decreased in the 9-month period ended 30 September 2018 by PLN 2 435 thousand compared to the corresponding period of the prior year, while administrative expenses were PLN 11 368 thousand higher than in the corresponding period of 2017. The share of selling and administrative expenses in total sales decreased from 3.91% for the period of 9 months of 2017 down to 3.47% in the current period.

Other operating income for the 9-month period ended 30 September 2018 was PLN 35 991 thousand and comprised, inter alia: income from compensations and contractual penalties received in the amount of PLN 20 956 thousand (of which PLN 6 715 thousand in the third quarter of 2018), income from reversal of provisions for compensations and contractual penalties amounted to PLN 7 317 thousand (of which PLN 1 237 thousand in the third quarter of 2018), written off overdue and expired liabilities in the amount of PLN 2 297 thousand (of which PLN 1 353 thousand in the third quarter of 2018) and income from the reversal of the impairment write-downs against receivables in the amount of PLN 1 350 thousand (of which PLN 841 thousand in the third quarter of 2018). The gain on settlement of FX forward derivatives (made with a view to limiting the FX risk on foreign currency construction contracts) amounted to PLN 912 thousand (of which PLN 816 thousand in the third quarter of 2018). Additionally, in the period of three quarters of 2018 Group companies disposed of tangible fixed assets with a net value of PLN 8 743 thousand and earned profit on sale of PLN 2 364 thousand (of which PLN 610 thousand in the third quarter of 2018).

Other operating expenses for the 9-month period ended 30 September 2018 amounted to PLN 27 062 thousand, of which PLN 5 793 thousand related to the value of compensations and contractual penalties paid (of which PLN 704 thousand in the third quarter of 2018) and PLN 9 246 thousand – the costs of created provisions for compensations and contractual penalties (of which PLN 6 972 thousand in the third quarter of 2018). The created impairment write-downs against receivables were PLN 7 315 thousand (of which PLN 2 417 thousand in the third quarter of 2018). In turn, donations made amounted to PLN 1 588 thousand (of which PLN 735 thousand in the third quarter of 2018). The loss on valuation of FX forward derivatives amounted to PLN 1 005 thousand (including a valuation gain of PLN 156 thousand in the third quarter of 2018 only).

In comparison, other operating income for the 9-month period ended 30 September 2017 was PLN 37 529 thousand and comprised, inter alia: income from compensations and contractual penalties received in the amount of PLN 18 280 thousand (of which PLN 9 663 thousand in the third quarter of 2017), income from reversal of provisions for compensations and contractual penalties amounted to PLN 4 191 thousand (of which PLN 3 750 thousand in the third quarter of 2017), income from reversal of provisions for legal proceedings in the amount of PLN 2 583 thousand (of which PLN 0 thousand in the third quarter of 2017) and income from the reversal of the impairment write-downs against receivables in the amount of PLN 3 800 thousand (of which PLN 1 297 thousand in the third quarter of 2017). The gain on valuation of FX forward and FX option derivative instrument contracts amounted to PLN 2 585 thousand (of which the gain in the amount of PLN 52 thousand in the third quarter of 2017). Additionally, in the period of three quarters of 2017 Group companies disposed of tangible fixed assets and investment property and earned profit on sale of PLN 3 344 thousand (of which PLN 2 554 thousand in the third quarter of 2017), including a loss on liquidation of fixed assets of PLN 602 thousand. The net book value of the tangible fixed assets and investment property sold in the period of three quarters of 2017 was PLN 1 685 thousand (PLN 106 thousand in the third quarter of 2017).

Other operating expenses for the 9-month period ended 30 September 2017 amounted to PLN 15 096 thousand, of which PLN 5 457 thousand related to the value of compensations and contractual penalties paid (of which PLN 4 322 thousand in the third quarter of 2017) and PLN 3 122 thousand – to the costs of created provisions for legal proceedings (of which PLN 3 122 thousand in the third quarter of 2017). The costs of created provisions for compensations and contractual penalties amounted to PLN 1 501 thousand (of which PLN 1 369 thousand in the third quarter of 2017). The created impairment write-downs against receivables were PLN 2 047 thousand (of which PLN 709 thousand in the third quarter of 2017). The loss on settlement of FX forward and FX option derivative instrument contracts amounted to PLN 900 thousand (of which PLN 1 363 thousand in the third quarter of 2017).

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In the third quarter of 2018 Budimex SA disposed of two subsidiaries, i.e. Elektromontaż Poznań SA and Biuro Inwestycji "Grunwald" SA, from which it reported a gain in other operating income of "other business" amounting to PLN 44 081 thousand and incurred a loss of PLN 70 thousand in the "developer business", respectively. A detailed description of the transaction is included in the note 1.3.

The reported operating profit of the Group for the period of three quarters of 2018 amounted to PLN 311 716 thousand (PLN 141 592 thousand in the third quarter of 2018), while in the period of three quarters of 2017 it was PLN 426 292 thousand (PLN 177 138 thousand in the third quarter of 2017). The operating profit for the 9-month period of 2018 represented 5.78% of the sales revenue value, while for the corresponding period of the prior year it constituted 9.36% of the sales revenue.

In the 9-month period ended 30 September 2018 the Group incurred a loss on finance activities in the amount of PLN 6 491 thousand. Finance income for three quarters of 2018 amounted to PLN 22 903 thousand and represented, among others: interest of PLN 20 444 thousand (of which PLN 4 450 thousand gained in the third quarter of 2018 only), valuation of concession receivables amounting to PLN 1 804 thousand (of which PLN 715 thousand in the third quarter of 2018) and profit on valuation of interest rate swap derivative instrument contracts in the amount of PLN 245 thousand (of which PLN 40 thousand in the third quarter of 2018). Surplus of positive exchange rate differences over negative ones amounted to PLN 367 thousand (of which PLN 552 thousand in the third quarter of 2018).

Finance costs in the 9-month period ended 30 September 2018 amounted to PLN 29 394 thousand and represented, among others: interest costs of PLN 4 713 thousand (of which PLN 1 539 thousand in the third quarter of 2018), bank commissions on guarantees and loans of PLN 17 957 thousand (of which PLN 5 887 thousand in the third quarter of 2018), costs of discounting of long-term retention receivables and liabilities of PLN 6 143 thousand (of which PLN 1 593 thousand in the third quarter of 2018) and losses incurred on settlement of interest rate swap derivative instrument contracts in the amount of PLN 487 thousand (of which PLN 163 thousand in the third quarter of 2018).

In comparison, finance income for three quarters of 2017 amounted to PLN 26 878 thousand and represented: interest of PLN 24 359 thousand (of which PLN 7 367 thousand gained in the third quarter of 2017 only), reversal of discounting of long-term receivables in the amount of PLN 286 thousand (of which PLN 86 thousand in the third quarter of 2017) and valuation of concession receivables amounting to PLN 2 196 thousand (of which PLN 733 thousand in the third quarter of 2017).

Finance costs in the 9-month period ended 30 September 2017 amounted to PLN 29 932 thousand and represented, among others, interest costs of PLN 3 737 thousand (of which PLN 1 532 thousand of interest costs was incurred in the third quarter of 2017 only), bank commissions on guarantees and loans of PLN 17 812 thousand paid by Group companies (of which commissions for the third quarter of 2017 only amounted to PLN 6 010 thousand), costs in discounting of long-term retention receivables and liabilities of PLN 6 741 thousand (of which PLN 2 260 thousand were incurred in the third quarter of 2017 only) and losses incurred on valuation and settlement of interest rate swap derivative instrument contracts in the amount of PLN 688 thousand (of which PLN 85 thousand in the third quarter of 2017). Surplus of negative exchange rate differences over positive ones in the amount of PLN 942 thousand was also recognized in the finance costs (in the third quarter of 2017 there was a surplus of positive exchange rate differences over negative ones amounting to PLN 420 thousand).

All valued derivative instrument contracts (presented both in the operating and financing activity) were classified as level 2 in the fair value hierarchy. During the 9 months ended 30 September 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 is close to their carrying amount.

In the period of 9 months ended 30 September 2018 the Group reported a gross profit of PLN 304 008 thousand, while in the corresponding period of the prior year – a gross profit of PLN 420 503 thousand (a decrease of 27.70%).

Income tax for the 9-month period ended 30 September 2018 was PLN 73 188 thousand (PLN 83 293 thousand for three quarters of 2017), of which:

- current tax was PLN 65 678 thousand,
- deferred tax was PLN 7 510 thousand.

As at 30 September 2018 the Group recognized a deferred tax asset in the amount of PLN 392 935 thousand, while as at 31 December 2017 – PLN 405 208 thousand. The reported statement of financial position items of deferred tax asset

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result mainly from a special method of settlement of construction contracts, under which the moment of recognition of costs as incurred and revenue as realized are different from the tax and accounting perspectives.

The net profit attributable to the shareholders of Budimex SA for three quarters of 2018 was PLN 230 707 thousand, while the net profit attributable to the shareholders of Budimex SA for the corresponding period of 2017 was PLN 337 039 thousand (a decrease of 31.55%).

The net profit attributable to non-controlling interest for three quarters of 2018 amounted to PLN 113 thousand, while the net profit attributable to non-controlling interest for the third quarter of 2018 only amounted to PLN 72 thousand. In the corresponding periods of 2017, the net profit attributable to non-controlling interest was equal to PLN 171 thousand and PLN 28 thousand, respectively.

In the 9-month period of 2018 the Group reversed impairment write-downs against inventory in the amount of PLN 10 622 thousand (in the corresponding period of 2017 – PLN 10 848 thousand). The reversal in the period of 9 months of 2018 and 9 months of 2017 decreased the costs of finished goods, goods for resale, raw materials and services sold. At the same time the Group did not create any new write-offs for tangible current assets.

A transaction of significant value in the 9-month period ended 30 September 2018 (in the first quarter of 2018) was the purchase of short-term bonds of some Polish mortgage banks amounting to PLN 238 868 thousand. At the same time the bonds purchased in 2017 and 2018 amounting to PLN 516 877 thousand were settled. The bonds were recognized as "Other financial assets" in current assets in the consolidated statement of financial position.

As at 30 September 2018 the position "Valuation of long-term construction contracts" on the assets' side in the consolidated statement of financial position amounted to PLN 985 092 thousand and was PLN 501 591 thousand higher than as at 31 December 2017. The increase in the value of unissued invoices for construction works resulted mainly from the seasonality of the invoicing cycle - the majority of invoices to public clients are issued at the end of the financial year, which causes a decrease in the value of unissued invoices - during the year the value of this position remains at a much higher level. In addition, the scale of the Group's operations is also bigger and the Group companies lead projects with a non-standard invoicing scheme, which also causes an increase in the balance of "Valuation of long-term construction contracts" on the assets' side.

The Budimex Group companies are required to issue a warranty for the construction services rendered. As at 30 September 2018 the provision for warranty amounted to PLN 408 871 thousand. In the 9-month period ended 30 September 2018 the balance of the provision for warranty increased by PLN 54 248 thousand, while in the third quarter of 2018 the increase was PLN 22 261 thousand. Provisions for warranty are presented in the line "Provisions for long-/short-term liabilities and other charges" in the consolidated statement of financial position.

In the 9-month period ended 30 September 2018, the Group purchased or started to lease property, plant and equipment and intangible assets with a total value of PLN 95 129 thousand, of which plant and machinery accounted for PLN 68 643 thousand. In turn, in the 9-month period ended 30 September 2017, the Group purchased or started to lease property, plant and equipment and intangible assets with a total value of PLN 52 457 thousand, of which plant and machinery accounted for PLN 35 643 thousand.

As at 30 September 2018, the Group had contractual obligations for the purchase of property, plant and equipment in the amount of PLN 7 815 thousand. Contractual obligations made by the Group for the purchase of property, plant and equipment as at 31 December 2017 amounted to PLN 51 385 thousand.

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### 5. 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.
- Biuro Inwestycji „Grunwald” SA (for the period 1 January – 17 September 2018)
- 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 production, service, trading activities or public-private partnerships.

The results of segments for three quarters of 2018 are presented in the table below:

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

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The results of segments for three quarters of 2017 are presented in the table below:

Segment name	Construction business	Property management and developer business (restated)*	Other business (restated)*	Consolidation adjustments	Consolidated financial data
External sales	4 080 680	387 521	85 158	-	4 553 359
Inter-segment sales	233 345	523	30 575	(264 443)	-
<b>Total sales of finished goods, goods for resale and raw materials</b>	<b>4 314 025</b>	<b>388 044</b>	<b>115 733</b>	<b>(264 443)</b>	<b>4 553 359</b>
<b>Gross profit</b>	<b>489 181</b>	<b>79 957</b>	<b>14 253</b>	<b>(1 528)</b>	<b>581 863</b>
Selling expenses	(7 495)	(13 186)	(3 850)	15	(24 516)
Administrative expenses	(142 574)	(16 079)	(4 096)	9 261	(153 488)
Other operating income/(expenses), net	19 076	5 856	545	(3 044)	22 433
<b>Operating profit</b>	<b>358 188</b>	<b>56 548</b>	<b>6 852</b>	<b>4 704</b>	<b>426 292</b>
Finance income/(costs), net	(5 840)	2 074	812	(100)	(3 054)
Shares in losses of equity accounted subordinates	-	-	(2 735)	-	(2 735)
Income tax expense	(69 696)	(11 006)	(1 720)	(871)	(83 293)
<b>Net profit for the period</b>	<b>282 652</b>	<b>47 616</b>	<b>3 209</b>	<b>3 733</b>	<b>337 210</b>

\* according to the note 1.3 data for the 9-month period of 2017 was restated

## 6. Revenue from sales of finished goods, services, goods for resale and raw materials, by category

### 6.1. Sales revenue, by type of good or service

In the period of 9 months ended 30 September 2018 the 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	5 026 119	-	92 815	(210 594)	4 908 340
Sales of other services	25 182	5 833	3 432	(10 160)	24 287
Sales of finished goods	41 752	403 953	3 651	-	449 356
Sales of goods for resale and raw materials	5 739	1 857	96	-	7 692
<b>Total net sales of finished goods, services, goods for resale and raw materials</b>	<b>5 098 792</b>	<b>411 643</b>	<b>99 994</b>	<b>(220 754)</b>	<b>5 389 675</b>

In the period of 9 months ended 30 September 2017 the 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 (restated)*	Other business (restated)*	Consolidation adjustments	Consolidated financial data
Sales of construction and assembly services	4 231 785	346	110 228	(255 119)	4 087 240
Sales of other services	19 201	6 969	2 856	(9 324)	19 702
Sales of finished goods	59 628	380 729	2 570	-	442 927
Sales of goods for resale and raw materials	3 411	-	79	-	3 490
<b>Total net sales of finished goods, services, goods for resale and raw materials</b>	<b>4 314 025</b>	<b>388 044</b>	<b>115 733</b>	<b>(264 443)</b>	<b>4 553 359</b>

\* according to the note 1.3 data for the 9-month period of 2017 was restated

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### 6.2. Sales revenue, by geographical area

In the period of 9 months ended 30 September 2018 the 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	4 888 719	411 643	93 776	(220 754)	<b>5 173 384</b>
Germany	150 942	-	164	-	<b>151 106</b>
Other EU countries	58 805	-	3 095	-	<b>61 900</b>
Other countries*	326	-	2 959	-	<b>3 285</b>
<b>Total net sales of finished goods, services, goods for resale and raw materials</b>	<b>5 098 792</b>	<b>411 643</b>	<b>99 994</b>	<b>(220 754)</b>	<b>5 389 675</b>

\*other countries are Ukraine, Russia, Switzerland and Norway

In the period of 9 months ended 30 September 2017 the 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 (restated)**	Other business (restated)**	Consolidation adjustments	Consolidated financial data
Poland	4 138 565	388 044	113 021	(264 443)	<b>4 375 187</b>
Germany	154 566	-	-	-	<b>154 566</b>
Other EU countries	18 620	-	-	-	<b>18 620</b>
Other countries*	2 274	-	2 712	-	<b>4 986</b>
<b>Total net sales of finished goods, services, goods for resale and raw materials</b>	<b>4 314 025</b>	<b>388 044</b>	<b>115 733</b>	<b>(264 443)</b>	<b>4 553 359</b>

\*other countries are Ukraine and Russia

\*\* according to the note 1.3 data for the 9-month period of 2017 was restated

### 6.3. 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. The data for the period of 9 months ended 30 September 2018 and the period of 9 months ended 30 September 2017 were as follows:

Type of construction	Total sales of finished goods, services, goods for resale and raw materials for a 9-month period ended:	
	30 September 2018	30 September 2017
Land-engineering	2 259 690	2 181 652
Railway	419 264	143 189
General construction, of which:	2 419 838	1 989 184
- non-residential	1 861 216	1 396 906
- residential	558 622	592 278
<b>Total sales of finished goods, services, goods for resale and raw materials – segment „Construction business”</b>	<b>5 098 792</b>	<b>4 314 025</b>

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### 7. Related party transactions

Transactions with related parties made in the period of 9 months ended 30 September 2018 and in period of 9 months ended 30 September 2017 and unsettled balances of receivables and liabilities as at 30 September 2018 and 31 December 2017 are presented in the tables below:

	Receivables		Liabilities	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Parent Company and its related parties (the Ferrovial Group)	30 518	20 679	83 306	73 553
Jointly controlled entities	10 501	13 820	943	744
Associates	578	304	838	1 635
Other related entities – non-consolidated subsidiaries*	56	26	24	387
Other related entities – other*	-	11	-	-
Other related entities – through key personnel*	-	-	6 448	5 091
<b>Total settlements with related parties</b>	<b>41 653</b>	<b>34 840</b>	<b>91 559</b>	<b>81 410</b>

	Loans granted / acquired debt securities		Loans taken out / issued debt securities	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Parent Company and its related parties (the Ferrovial Group)	-	-	8 946	8 698
Jointly controlled entities	-	-	-	-
Associates	70 226	62 451	-	-
Other related entities – non-consolidated subsidiaries*	-	-	-	-
Other related entities – other*	-	-	-	-
Other related entities – through key personnel*	-	-	-	-
<b>Total settlements with related parties</b>	<b>70 226</b>	<b>62 451</b>	<b>8 946</b>	<b>8 698</b>

	Sales of finished goods and services		Purchase of finished goods and services	
	9-month period ended 30 September 2018	9-month period ended 30 September 2017	9-month period ended 30 September 2018	9-month period ended 30 September 2017
Parent Company and its related parties (the Ferrovial Group)	363	819	(29 973)	(33 087)
Jointly controlled entities	52 556	39 992	(326)	-
Associates	1 526	819	(5 081)	(5 190)
Other related entities – non-consolidated subsidiaries*	52	206	(104)	-
Other related entities – other*	-	-	-	-
Other related entities – through key personnel*	240	-	-	-
<b>Total transactions with related parties</b>	<b>54 737</b>	<b>41 836</b>	<b>(35 484)</b>	<b>(38 277)</b>

	Finance income		Finance costs	
	9-month period ended 30 September 2018	9-month period ended 30 September 2017	9-month period ended 30 September 2018	9-month period ended 30 September 2017
Parent Company and its related parties (the Ferrovial Group)	-	-	(37)	(44)
Jointly controlled entities	2	-	-	-
Associates	2 923	1 370	-	-
Other related entities – non-consolidated subsidiaries*	-	-	-	-
Other related entities – other*	-	-	-	-
Other related entities – through key personnel*	-	-	-	-
<b>Total transactions with related parties</b>	<b>2 925</b>	<b>1 370</b>	<b>(37)</b>	<b>(44)</b>

\*) 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.

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

### **8. 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 13 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 settlement of derivative financial instrument contracts.

As at 30 September 2018 the backlog was PLN 11 040 780 thousand. The value of contracts signed between January and September 2018 was PLN 5 572 384 thousand. The number of pre-sold apartments in the period from January to September 2018 (without booking) is 810 units. As at 30 September 2017 the backlog was PLN 9 280 579 thousand. The value of contracts signed between January and September 2017 was PLN 4 477 295 thousand. The number of pre-sold apartments in the period from January to September 2017 (without booking) was 1 220 units.

### **9. The main events in the third quarter of 2018 and significant events after 30 September 2018**

In the third quarter of 2018 and till the date of the report the Budimex Group companies were notified about the selection of their offer or entered into the following contracts:

#### **Significant contracts:**

Date of the current report	Customer	Contract value	Description
4.07.2018	General Directorate of National Roads and Motorways, Branch in Olsztyn	393 730	Conclusion of the agreement for "Design and construction of the S-61 express road Szczuczyn – Budzisko (state border): Task 3: section between Wysokie junction and Raczki".
10.07.2018	PKP PLK SA	478 972	Selection of the bid as the most advantageous one in the tender procedure for the reconstruction of track system together with auxiliary infrastructure at the E59 railway line, Rokietnica-Wronki section, under the "Works on the E59 railway line at the Poznań Główny-Szczecin Dąbie section". The contract was signed on 14 September 2018.
25.07.2018	General Directorate of National Roads and Motorways, Branch in Łódź	465 970 (232 985)*	Selection of the bid of the Consortium of Strabag Sp. z o.o. (Consortium leader with 50% of shares) and Budimex SA (Consortium partner with 50% of shares) as the most advantageous one in the tender procedure entitled: "Design and construction of A1 Motorway: Tuszyń (without junction) – border of Łódź and Silesia provinces from km 335+937.65 to km 399+742.51. Section C - junction: Kamieńsk (without junction) - junction: Radomsko (with junction) from km 376+000.00 to km 392+720.00". The contract was signed on 14 September 2018.

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Date of the current report	Customer	Contract value	Description
30.07.2018	General Directorate of National Roads and Motorways, Branch in Łódź	389 328 (194 664)*	Conclusion of the contract by the Consortium of Budimex SA (Consortium leader with 50% of shares) and Strabag Sp. z o.o. (Consortium partner with 50% of shares) for "Design and construction of A1 Motorway: Tuszyn (without junction) – border of Łódź and Silesia provinces from km 335+937.65 to km 399+742.51. Section A – Tuszyn junction (without junction) – Bełchatów junction (including junction) from km 335+937.65 to km 351+800.00."
1.08.2018	General Directorate of National Roads and Motorways, Branch in Łódź	456 749 (228 375)*	Selection of the bid of the Consortium of Budimex SA (Consortium leader with 50% of shares) and Strabag Sp. z o.o. (Consortium partner with 50% of shares) as the most advantageous one in the tender procedure entitled: The design and construction of the S14 express road of the West Ring Road of Łódź. Ex. A – Section I junction "Łódź Lublinek" – junction "Łódź Teofilów" Ex. B – Section II junction "Łódź Teofilów" (without a junction) – N91 in Słowik in the scope of part No 1 of the order: "The design and construction of the S14 express road of the West Ring Road of Łódź Ex. A – Section I junction "Łódź Lublinek" – junction "Łódź Teofilów". The contract was signed on 5 October 2018.
9.08.2018	General Directorate of National Roads and Motorways, Branch in Rzeszów	271 155	Conclusion of the contract for "Design and construction of the S19 express road on the section from the Nisko Południe junction (without junction) to the Sokółów Małopolski Północ junction (including the junction), divided into three lots. Lot B from the Podgórze junction (including the junction) to the Kamień junction (without the junction) with the length of approx. 10.5 km."

\* share of the Budimex Group

On 2 August 2018, the change in the name of Budimex Inwestycje "Grunwald" SA to Biuro Inwestycji "Grunwald" SA was registered in the National Court Register.

On 8 August 2018, a court settlement was reached before the Arbitration Court at the Polish Chamber of Commerce in a dispute over the extension of the Warsaw-Okęcie International Airport - Construction of Terminal 2. The details of the settlement are described in note 13.

On 17 September 2018, an agreement was concluded for the sale of shares in subsidiaries Elektromontaż Poznań SA and Biuro Inwestycji "Grunwald" SA. Transaction details are described in note 1.3.

In the period after 30 September 2018 to the date of the financial statement no other significant events took place.

### 10. Issue, redemption and repayment of debt and equity securities

In the 9-month period ended 30 September 2018 Budimex SA and Group companies did not issue, redeem or repay debt or equity securities.

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

Budimex SA did not publish any forecasts.

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### **12. Statement of ownership of shares of Budimex SA or rights to such shares (options) held by the managing or supervisory persons of Budimex SA as at the date of publication of this report together with indication of changes in the ownership in the third quarter of 2018**

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 report for the half-year of 2018, i.e. 30 August 2018.

### **13. Proceedings pending as at 30 September 2018 before court, competent arbitration body or any public administration authority**

The total value of legal proceedings in progress in respect of liabilities and receivables as at 30 September 2018 was PLN 257 707 thousand. Excess of the value of proceedings against Group companies over proceedings relating to claims of the Group companies amounted to PLN 128 937 thousand.

In accordance with information in the possession of Budimex SA, the total value of legal proceedings in progress in respect of liabilities of Budimex SA and its subsidiaries as at 30 September 2018 was PLN 193 322 thousand. These proceedings involve the Group companies' operating activity.

The largest item in terms of the value of the dispute was the case finished during the third quarter of 2018, pending before the Court of Arbitration at the Polish Chamber of Commerce in Warsaw, which involved the consortium members: Ferrovial Agroman SA, Budimex SA and Estudio Lamela S.L. (the FBL Consortium) and Przedsiębiorstwo Państwowe "Porty Lotnicze" (PPL). The litigation was the result of PPL serving a notice rescinding the contract for the development and modernization of Terminal 2 of the Warsaw Chopin Airport.

Initially, the proceedings related solely to the claim filed in 2008 by the FBL Consortium, in relation to bank guarantees realised by PPL, which were given as a performance bond for a total amount of PLN 54 382 thousand. That case was finally resolved by a judgment of the Court of Appeal in Warsaw in 2012. The total value of the awarded claim and the amount of statutory interest for late payment was PLN 87 920 thousand (the amount attributable to Budimex SA was PLN 35 168 thousand, of which PLN 21 612 thousand as reimbursement of the performance bond). The court enforcement officer transferred that amount to the bank account of Budimex SA on 28 September 2012. After the cassation appeal of PPL was dismissed by the Supreme Court, the enforcement proceedings became final.

In the course of the proceedings before the Court of Arbitration, PPL filed a counter-claim of a total amount of PLN 135 719 thousand, covering claims for the redress of damage, including lost benefits, return of unjust enrichment and liquidated damages. In 2009 PPL filed to the Court of Arbitration further written statements of claim including extension of the counter-claim, changing the original amount of counter-claim from PLN 135 719 thousand to PLN 280 894 thousand. As a result of subsequent procedural steps in 2012, the PPL's claim was raised to PLN 298 892 thousand. According to the value of the shares set forth in the consortium agreement, the risk allocated to Budimex SA did not exceed the total of PLN 119 556 thousand.

Regardless of the PPL's counter-claim and in accordance with former announcements, in 2009 the FBL Consortium submitted a statement of claim including an extension of the main claim by the amount of PLN 216 458 thousand, covering: remuneration for the works performed, but not paid by the Investor, remuneration for additional works, and reimbursement for the retained amounts and interest on late payments. Under the consortium contract, the share of Budimex SA in this claim amounted to PLN 86 583 thousand.

During several hearings the court has examined all witnesses for the claimant and the counter-claimant with respect to the circumstances included in PPL's counter-claim. At the beginning of 2018 the hearing of evidence was completed.

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On 8 August 2018 the parties to the dispute entered into a court settlement before the Court of Arbitration at the Polish Chamber of Commerce. Under the settlement, the parties waived each other's claims before the Court of Arbitration and cancelled each other's costs. The payment by PPL to the Consortium included only receivables for the works and deliveries performed, including amounts retained.

Conclusion of the settlement confirmed the amicable solution by the parties of the contract linking them and ending any disputes related to its implementation. In the opinion of the Management Board of Budimex SA, the settlement was favourable for both parties to the dispute.

On 24 July 2017, Muzeum Śląskie in Katowice filed a claim 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. The court successfully delivered a copy of the claim to Ferrovia Agroman SA on 21 September 2018. Ferrovia Agroman SA filed a reply to the statement of claim on 22 October 2018. Until the date of the report, no date has been set for the hearing.

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 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's assessment may finish in an unfavourable way, provisions were created in the amount including 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 64 385 thousand as at 30 September 2018. 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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### 14. Contingent assets and contingent liabilities

	30 September 2018	31 December 2017
<b><u>Contingent assets</u></b>		
<b>From related parties, of which:</b>		
– guarantees and sureties received	-	-
– bills of exchange received as security	-	-
<b>From related parties, total</b>	-	-
<b>From other entities</b>		
– guarantees and sureties received	599 147	589 062
– bills of exchange received as security	6 395	3 628
<b>From other entities, total</b>	<b>605 542</b>	<b>592 690</b>
<b>Other contingent assets</b>	<b>12 000</b>	<b>14 768</b>
<b>Total contingent assets</b>	<b>617 542</b>	<b>607 458</b>
<b><u>Contingent liabilities</u></b>		
<b>To related parties, of which:</b>		
– guarantees and sureties issued	2 814	2 814
– promissory notes issued as performance bond	-	-
<b>To related parties, total</b>	<b>2 814</b>	<b>2 814</b>
<b>To other entities, of which:</b>		
– guarantees and sureties issued	3 695 096	3 821 829
– promissory notes issued as performance bond	23 159	16 141
<b>To other entities, total</b>	<b>3 718 255</b>	<b>3 837 970</b>
<b>Other contingent liabilities</b>	<b>134 381</b>	<b>134 381</b>
<b>Total contingent liabilities</b>	<b>3 855 450</b>	<b>3 975 165</b>
<b>Total contingent items</b>	<b>(3 237 908)</b>	<b>(3 367 707)</b>

Contingent assets represent guarantees issued by banks and other financial institutions to the companies of the Budimex Group as security for the potential claims the Group may file against its business partners in respect of the construction contracts in progress.

Contingent liabilities represent guarantees and sureties issued by banks to business partners of the Group as security for the potential claims they may be filed against the Group in respect of the construction contracts in progress. Banks are entitled to recourse the underlying claims to Group companies. Guarantees issued to the Group's customers represent an alternative, to the retentions held, method of securing potential claims of customers.

The promissory notes issued represent a security for the settlement of liabilities towards the strategic suppliers of the Group, while the bills of exchange received and recognized under contingent assets represent security for the repayment by the Group customers of the amounts due to the Group.

Other contingent liabilities include among others voluntary acceptance of enforcement constituting a security of payment up to the amount of PLN 134 381 thousand due and payable in the case of improper performance of obligations by Budimex SA under the acquisition agreement concerning shares of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o.

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Guarantees and sureties issued by Budimex SA and its subsidiaries as at 30 September 2018:

Name of the company which issued a guarantee or surety	Name of the (company) entity which received a surety or a guarantee	Total value of guarantees or sureties issued	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	182 456	2025-08-13	against payment	subsidiary
Budimex SA	Budimex Budownictwo Sp. z o.o.	117 325*	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	2018-12-31	free of charge	subsidiary
Budimex SA	Budimex Kolejnictwo SA	14 958	2025-10-31	against payment	subsidiary
Budimex SA	FBSerwis SA	1 551	2020-10-30	against payment	associate
Budimex Budownictwo Sp. z o.o.	FBSerwis SA	1 263	2018-11-16	against payment	associate
<b>TOTAL</b>		<b>327 722</b>			

\*sureties were issued for contracts realized by Budimex SA

**President of the Board**

**Board Member**

**Dariusz Blocher**

**Marcin Węglowski**

Warsaw, 29 October 2018

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