



BUDIMEX SA

CONDENSED FINANCIAL STATEMENTS

for I half-year of 2019

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

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Statement of financial position

ASSETS	30 June 2019 <i>unaudited</i>	31 December 2018 <i>audited</i>
Non-currents assets (long-term)		
Property, plant and equipment	184 789	169 160
Investment properties	-	3 178
Intangible assets	25 804	28 103
Investments in subsidiaries	690 544	690 544
Investments in associates	61 246	61 246
Investments in other entities	6 417	6 417
Other financial assets	14 902	75 869
Trade and other receivables	22 172	21 807
Retentions for construction contracts	79 024	79 665
Deferred tax assets	337 872	322 025
Total non-current assets (long-term)	1 422 770	1 458 014
Current assets		
Inventories	391 271	308 385
Trade and other receivables	1 055 375	802 012
Retentions for construction contracts	49 235	47 191
Valuation of construction contracts	784 896	552 306
Current tax assets	18 322	33 081
Other financial assets	62 426	17 055
Cash and cash equivalents	300 862	1 159 595
Total current assets (short-term)	2 662 387	2 919 625
TOTAL ASSETS	4 085 157	4 377 639

Statement of financial position (cont.)

EQUITY AND LIABILITIES	30 June 2019 <i>unaudited</i>	31 December 2018 <i>audited</i>
Equity		
Issued capital	145 848	145 848
Share premium	80 199	80 199
Other reserves	51 356	51 356
Cumulative translation differences	7 312	7 159
Retained earnings	266 309	322 012
Total equity	551 024	606 574
Liabilities		
Long-term liabilities		
Loans, borrowings and other external sources of finance	92 671	88 171
Retentions for construction contracts	193 989	213 836
Provision for long-term liabilities and other charges	277 496	271 771
Retirement benefits and similar obligations	10 108	10 108
Total long-term liabilities	574 264	583 886
Short-term liabilities		
Loans, borrowings and other external sources of finance	49 232	42 082
Trade and other payables	1 411 026	1 641 899
Retentions for construction contracts	202 394	205 048
Provisions for construction contract losses	189 179	159 036
Valuation of construction contracts	552 268	583 918
Deferred income	374 228	378 465
Provisions for current liabilities and other charges	179 332	174 929
Retirement benefits and similar obligations	1 122	1 122
Other financial liabilities	1 088	680
Total short-term liabilities	2 959 869	3 187 179
Total liabilities	3 534 133	3 771 065
TOTAL EQUITY AND LIABILITIES	4 085 157	4 377 639

Income statement

	Note	6-month period ended 30 June		3-month period ended 30 June	
		2019	2018	2019	2018
		unaudited		unaudited	
Continuing operations					
Net sales of finished goods, goods for resale, raw materials and services	3,7	3 016 459	2 902 349	1 804 262	1 814 865
Cost of finished goods, goods for resale, raw materials and services sold		(2 872 264)	(2 712 571)	(1 729 005)	(1 708 765)
Gross profit on sales		144 195	189 778	75 257	106 100
Selling expenses	3	(5 127)	(5 020)	(2 659)	(2 682)
Administrative expenses	3	(98 222)	(98 307)	(49 749)	(50 592)
Other operating income	4	34 979	22 681	26 232	12 064
Other operating expenses	4	(13 534)	(13 399)	(8 349)	(6 863)
Operating profit		62 291	95 733	40 732	58 027
Finance income	5	84 638	86 617	79 924	29 443
Finance costs	5	(17 217)	(18 904)	(8 023)	(9 682)
Gross profit		129 712	163 446	112 633	77 788
Income tax	6	(24 576)	(20 518)	(14 569)	(11 985)
Net profit from continuing operations		105 136	142 928	98 064	65 803
Net profit for the period		105 136	142 928	98 064	65 803

Basic and diluted earnings per share attributable to the shareholders (in PLN)

4.12 5.60 3.84 2.58

Statement of comprehensive income

	6-month period ended 30 June		3-month period ended 30 June	
	2019	2018	2019	2018
	unaudited		unaudited	
Net profit for the period	105 136	142 928	98 064	65 803
Other comprehensive income, which:				
<i>Items to be reclassified to profit or loss upon satisfaction of certain conditions: :</i>				
Cumulative translation differences	153	1 428	(1)	598
Deferred tax related to components of other comprehensive income	-	-	-	-
<i>Items not to be reclassified to profit or loss:</i>				
Actuarial gains/(losses)	-	-	-	-
Deferred tax related to components of other comprehensive income	-	-	-	-
Other comprehensive income, net	153	1 428	(1)	598
Total comprehensive income for the period	105 289	144 356	98 063	66 401

Statement of changes in equity

	Issued capital	Share premium	Other reserves	Cumulative translation differences	Retained earnings	Total equity
Balance as at 1 January 2019 <i>audited</i>	145 848	80 199	51 356	7 159	322 012	606 574
Profit for the period	-	-	-	-	105 136	105 136
Other comprehensive income	-	-	-	153	-	153
Total comprehensive income	-	-	-	153	105 136	105 289
Dividends	-	-	-	-	(160 839)	(160 839)
Balance as at 30 June 2019 <i>unaudited</i>	145 848	80 199	51 356	7 312	266 309	551 024

Statement of changes in equity (cont.)

	Issued capital	Share premium	Other reserves	Cumulative translation differences	Retained earnings	Total equity
Balance as at 1 January 2018 <i>audited</i>	145 848	80 199	52 452	5 682	449 995	734 176
Profit for the period	-	-	-	-	142 928	142 928
Other comprehensive income	-	-	-	1 428	-	1 428
Total comprehensive income	-	-	-	1 428	142 928	144 356
Dividends	-	-	-	-	(449 585)	(449 585)
Balance as at 30 June 2018 <i>unaudited</i>	145 848	80 199	52 452	7 110	143 338	428 947
Profit for the period	-	-	-	-	178 674	178 674
Other comprehensive income	-	-	(1 096)	49	-	(1 047)
Total comprehensive income	-	-	(1 096)	49	178 674	177 627
Balance as at 31 December 2018 <i>audited</i>	145 848	80 199	51 356	7 159	322 012	606 574

Cash flow statement

	6-month period ended 30 June	
	2019	2018
	unaudited	
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	129 712	163 446
Adjustments for:		
Depreciation/ amortization	33 218	20 550
Foreign exchange (gains)/ losses	165	(842)
Interest and shares in profits (dividends)	(75 702)	(76 023)
(Profit)/ loss on investing activities	(3 096)	(1 747)
Change in valuation of derivative financial instruments	3 446	166
Change in provisions and liabilities arising from retirement benefits and similar obligations	10 128	22 354
Other adjustments	97	1 490
Operating profit before changes in working capital	97 968	129 394
Change in receivables and retentions for construction contracts	(177 020)	(141 139)
Change in inventories	(82 886)	(134 222)
Change in retentions for construction contracts and in liabilities, except for loans and borrowings	(253 142)	(28 746)
Change in valuation of construction contracts and provision for construction contract losses	(234 097)	(695 527)
Change in deferred income	(4 237)	(85 554)
Change in cash and cash equivalents of restricted use	3 285	(3 014)
Cash from operating activities	(650 129)	(958 808)
Income tax paid	(25 664)	4 341
NET CASH USED IN OPERATING ACTIVITIES	(675 793)	(954 467)
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of intangible assets and property, plant and equipment	1 347	1 909
Purchase of intangible assets and property, plant and equipment	(5 082)	(7 128)
Proceeds from sale of investment properties	5 323	-
Purchase of shares in subsidiaries	-	(100)
Purchase of bonds issued by banks	-	(238 868)
Proceeds from bonds issued by banks	-	516 877
Dividends received	-	72 834
Loans granted	-	(28 720)
Repayment of loans granted	12 600	16 900
Interest received	2 319	4 548
NET CASH FROM INVESTING ACTIVITIES	16 507	338 252

Cash flow statement (continued)

	6-month period ended 30 June	
	2019	2018
	<i>unaudited</i>	
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid	(160 839)	(449 585)
Repayment of loans and borrowings	(9 003)	-
Payment of liabilities under lease	(23 861)	(8 716)
Interest paid	(2 267)	(1 131)
NET CASH USED IN FINANCING ACTIVITIES	(195 970)	(459 432)
TOTAL NET CASH FLOW	(855 256)	(1 075 647)
Foreign exchange differences on cash and cash equivalents, net	(192)	1 240
CASH AND CASH EQUIVALENTS – OPENING BALANCE (note 2.3)	1 136 291	1 639 774
CASH AND CASH EQUIVALENTS – CLOSING BALANCE (note 2.3)	280 843	565 367

1. General information

Budimex SA (the "Company", the "Issuer") with its registered office in Warsaw, ul. Stawki 40, is a joint-stock company entered in the Commercial Register kept by the District Court for the capital city of Warsaw, Commercial Division XII of the National Court Register under No. KRS 0000001764.

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

The Company has an unlimited period of operation.

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

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

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

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

The interim condensed financial statements of the Company cover the period of six months ended on 30 June 2019 and contain comparative data for the period of six months ended on 30 June 2018 and as at 31 December 2018. Statement of comprehensive income and income statement and notes to the statement of comprehensive income and income statement covering data for the period of 3 months ended on 30 June 2019 and comparative data for the period of 3 months ended on 30 June 2018, were not subject to review or audit by a certified auditor.

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

Joint operation	Share in the share capital and in the number of votes		
	30 June 2019	31 December 2018	30 June 2018
Budimex SA Budimex Budownictwo Sp. z o.o. s.c.	99.98%	99.98%	99.98%
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%
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 Energetyka 1 Sp.j.*	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%

BUDIMEX SA

Condensed financial statements for I half-year of 2019
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(all amounts are expressed in PLN thousand, unless stated otherwise)

Joint operation	Share in the share capital and in the number of votes		
	30 June 2019	31 December 2018	30 June 2018
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 13 August 2019, the partners of the companies Budimex SA Energetyka 1 Sp. j. and Budimex SA Energetyka 2 Sp.j. adopted resolutions on liquidation of companies without conducting liquidation proceedings. As at the date of this report, applications were submitted to remove companies from the relevant register.

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

Starting from 1 January 2019 the Company adopted IFRS 16 "Leases" and appropriate changes in accounting principles were presented in paragraph 2.2 of the financial statements.

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

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

The effect of the first application of IFRS 16 "Leases" is described in paragraph 2.2. The impact of application of other changes to standards and interpretations was not significant.

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

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

- IFRS 14 „Regulatory deferral accounts” – according to the European Commission’s decision the endorsement process of the standard will not be initiated until the final version of the standard has been published (effective for annual periods beginning on or after 1 January 2016),
- IFRS 17 „Insurance contracts” (effective for annual periods beginning on or after 1 January 2021),
- Amendments to IFRS 3 „Business Combinations” (effective for annual periods beginning on or after 1 January 2020),
- Amendments to IFRS 10 „Consolidated financial statements” and IAS 28 „Investments in associates and joint ventures” – Sale or contribution of assets between an investor and its associate or joint venture – the endorsement process has been postponed by the EU indefinitely – the effective date has been postponed by the IASB indefinitely,
- Amendments to IAS 1 „Presentation of Financial Statements” and IAS 8 „Accounting Policies, Changes in Accounting Estimates and Errors” – Definition of Materiality (effective for annual periods beginning on or after 1 January 2020),
- Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020).

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

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

In the period covered by the report Budimex SA applied for the first time IFRS 16 „Leases”, which lifts the previous division between finance and operating lease and imposes presentation of leases as (until now) finance lease. The

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

Company applied the IFRS retrospectively with the cumulative effect of initially applying the standard at the date of initial application. Therefore Budimex SA has not restated comparative information and instead has decided to adjust the opening balance of retained earnings at the date of initial application.

Recognition exempt and practical expedient

The Company 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 Company presents lease payments using linear method or other systematical basis in profit and lost statement as costs. Budimex SA 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 Company 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 (except lease contracts of low value assets and where the remaining lease period is less than 12 months) Budimex SA presented the liability as present value of the remaining lease payments, discounted at the marginal interest rate for the Company's lease agreements on the day of the first application. On the other side, the Company presented right-of-use assets equal to value of the lease liability. Due to the fact that Budimex SA 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 of the same value and it was not necessary to adjust the opening balance of retained earnings. The 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 Company took advantage of §C9 of IFRS 16 and did not make adjustments to lease agreements in which the underlying assets are of low value. Budimex SA, as Lessee, used practical expedient in §C10 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 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	169 160	29 906	199 066
- of which: under finance lease (31.12.2018) / right-of-use assets (1.01.2019)	128 793	29 906	158 699
Investment property	3 178	559	3 737
- of which: under finance lease (31.12.2018) / right-of-use assets (1.01.2019)	-	559	559
Equity and Liabilities			
Non-current liabilities			
Loans, borrowings and other external sources of finance	88 171	16 876	105 047
- of which: lease liabilities	88 171	16 876	105 047
Current liabilities			
Loans, borrowings and other external sources of finance	42 082	13 589	55 671
- of which: lease liabilities	33 063	13 589	46 652

The average weighted marginal interest rate of the lessee used by the Company for lease liabilities presented in financial statement on the day of first application was in the range of 3.07% - 4.45%.

Identifying a lease

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

Recognition of lease in lessee's books

At the commencement date the Company 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 while dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset.

After the commencement date a right-of-use asset 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 Company.

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

Budimex SA 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).

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

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

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

The right of perpetual usufruct of land utilized for the Company's own purposes is presented under property, plant and equipment and is subject to depreciation. Interest on the lease of the perpetual usufruct is shown in the finance costs of the Company. On the other side, Budimex SA presents 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 Company'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 Company. On the other side, Budimex SA presents short and long-term lease liabilities respectively.

2.3. Cash recognized in the cash flow statement

The Company recognizes cash of restricted use (including cash of the consortia in the portion attributable to other consortium members and split payment bank accounts) in the statement of financial position under cash and cash

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

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 June 2019	31 December 2018	30 June 2018
Cash recognised in the statement of financial position	300 862	1 159 595	608 978
Cash and cash equivalents of restricted use	(20 019)	(23 304)	(43 611)
Cash recognised in the statement of cash flow	280 843	1 136 291	565 367

2.4. Going concern

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

As at 30 June 2019 the excess of the current liabilities over the current assets amounted to PLN 297 482 thousand. Taking into consideration good financial position of the Budimex Group related to liquidity, of which the excess of current assets over current liabilities as at 30 June 2019 amounted to PLN 489 834 thousand, the Company's Management Board does not state as at the date of signing the financial statements any threat to Company's ability to continue as a going concern.

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

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

Revenues and profitability

	6-month period ended			3-month period ended		
	30 June 2019	30 June 2018	Change %	30 June 2019	30 June 2018	Change %
Net sales of finished goods and services	3 016 459	2 902 349	3.93%	1 804 262	1 814 865	(0.58%)
Gross profit on sales	144 195	189 778	(24.02%)	75 257	106 100	(29.07%)
Gross profitability on sales	4.78%	6.54%	(1.76 p.p.)	4.17%	5.85%	(1.68 p.p.)
Operating profit	62 291	95 733	(34.93%)	40 732	58 027	(29.81%)
Operating profitability	2.07%	3.30%	(1.23 p.p.)	2.26%	3.20%	(0.94 p.p.)
Net profit	105 136	142 928	(26.44%)	98 064	65 803	49.03%
Net profitability	3.49%	4.92%	(1.43 p.p.)	5.44%	3.63%	1.81 p.p.

Selling and administrative expenses

	6-month period ended			3-month period ended		
	30 June 2019	30 June 2018	Change %	30 June 2019	30 June 2018	Change %
Selling expenses	(5 127)	(5 020)	2.13%	(2 659)	(2 682)	(0.86%)
Administrative expenses	(98 222)	(98 307)	(0.09%)	(49 749)	(50 592)	(1.67%)
Total selling & administrative expenses	(103 349)	(103 327)	(0.02%)	(52 408)	(53 274)	(1.63%)
Share of selling & administrative expenses in net sales of finished goods and services	3.43%	3.56%	(0.13 p.p.)	2.90%	2.94%	(0.04 p.p.)

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

	6-month period ended		3-month period ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
Gains on the sale of non-financial non-current assets	3 283	1 754	3 283	1 748
Reversal of impairment write-downs against receivables	7 187	506	6 222	57
Reversal of provisions for penalties and sanctions	5 666	5 849	3 860	335
Penalties/ compensations awarded	13 695	13 512	10 207	9 920
Statute-barred liabilities written-off	4 346	944	2 874	14
Gains on derivative financial instruments	5	-	(318)	(100)
Subsidies received	539	-	-	-
Other	258	116	104	90
Total	34 979	22 681	26 232	12 064

Other operating expenses

	6-month period ended		3-month period ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
Loss on the sale of non-financial non-current assets	-	-	15	-
Impairment write-downs against receivables	(3 266)	(4 613)	(1 522)	(2 626)
Compensations and liquidated damages paid	(4 078)	(4 993)	(1 260)	(999)
Donations	(416)	(845)	(229)	(532)
Court charges	(1 116)	(333)	(717)	(168)
Creation of provisions for penalties and sanctions	(4 594)	(2 274)	(4 591)	(2 234)
Loss on derivative financial instruments	-	(314)	-	(314)
Other	(64)	(27)	(45)	10
Total	(13 534)	(13 399)	(8 349)	(6 863)

All valued derivative instrument contracts were classified as level 2 in the fair value hierarchy. During the 6 months ended 30 June 2019 and 30 June 2018, there was no transfer between Level 1 and Level 2 of fair value measurements, and no transfer into and out of Level 3 of fair value measurement. The fair value of financial instruments owned by the Company is similar to their carrying value.

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

	6-month period ended		3-month period ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
Dividends	75 662	72 834	75 662	23 834
Interest earned	8 976	13 783	4 355	5 609
Foreign exchange gains	-	-	(93)	-
Total	84 638	86 617	79 924	29 443

BUDIMEX SA

Condensed financial statements for I half-year of 2019
prepared in accordance with International Financial Reporting Standards



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

Finance cost

	6-month period ended		3-month period ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
Interest expense	(3 029)	(1 864)	(1 293)	(1 244)
Discount of retentions for construction contracts	(3 403)	(4 430)	(1 503)	(1 940)
Cost of bank commissions and guarantees	(10 642)	(11 897)	(5 104)	(5 815)
Foreign exchange losses	(116)	(713)	(116)	(683)
Other	(27)	-	(7)	-
Total	(17 217)	(18 904)	(8 023)	(9 682)

6. Other significant information on activity of Budimex SA in the I half-year of 2019**Provisions for liabilities and other charges**

	30 June 2019	31 December 2018
Provisions for litigation proceedings	22 883	22 984
Provisions for penalties and other sanctions	51 890	52 962
Provisions for warranty repairs	382 055	370 754
Total	456 828	446 700
<i>of which:</i>		
- long-term	277 496	271 771
- short-term	179 332	174 929

Income tax in the income statement

	30 June 2019	30 June 2018
Income tax – current	(40 423)	(16 461)
Income tax – deferred	15 847	(4 057)
Income tax in the income statement	(24 576)	(20 518)

Other information

	6-month period ended	
	30 June 2019	30 June 2018
Value of property, plant and equipment, investment property and intangible assets purchased or started to be leased:	47 810	34 023
- of which: increases due to first application of IFRS 16	30 465	-
- of which: plant and machinery	6 045	19 374

As at 30 June 2019 contractual obligations made by the Company for the purchase of property, plant and equipment amounted to PLN 2 675 thousand. Contractual obligations made by the Company for the purchase of property, plant and equipment as at 31 December 2018 amounted to PLN 784 thousand.

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

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

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

Product/service type	6-month period ended	
	30 June 2019	30 June 2018
Sales of construction and assembly services	2 986 274	2 885 342
Sales of other services	27 008	14 451
Sales of goods for resale and raw materials	3 177	2 556
Total sales of finished goods, goods for resale, raw materials and services	3 016 459	2 902 349

In the first half-year of 2019 and 2018 net sales of finished goods, goods for resale, raw materials and services, by geographical area, were as follows:

Region	6-month period ended	
	30 June 2019	30 June 2018
Poland	2 869 639	2 786 056
Germany	88 044	84 555
Other EU countries	58 776	31 738
Total sales of finished goods, goods for resale, raw materials and services	3 016 459	2 902 349

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

Type of construction	6-month period ended	
	30 June 2019	30 June 2018
Land-engineering	1 295 466	1 191 577
Railway	360 448	208 712
General construction, of which:	1 330 360	1 485 053
- non-housing	1 022 655	1 084 932
- housing	307 705	400 121
Other	30 185	17 007
Total sales of finished goods, goods for resale, raw materials and services	3 016 459	2 902 349

8. Related party transactions

Transactions with related parties made in the first half-year of 2019 and in the first half-year of 2018 and unsettled balances of receivables and liabilities as at 30 June 2019 and 31 December 2018 are presented in the tables below:

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

	Receivables		Liabilities	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Parent Company and related parties (the Ferrovial Group)	29	1 490	22 430	33 333
Subsidiary companies	228 177	145 865	11 440	20 689
Associates	74	289	144	121
Jointly controlled entities	1 244	4 891	759	696
Other related parties	5	14	-	-
Total	229 529	152 549	34 773	54 839

	Loans granted		Loans taken out	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Parent Company and related parties (the Ferrovial Group)	-	-	-	9 019
Subsidiary companies	1 765	14 324	-	-
Associates	74 145	74 145	-	-
Total	75 910	88 469	-	9 019

	Sales of finished goods and services and other operating income		Purchase of finished goods and services and other operating expenses	
	6-month period ended 30 June		6-month period ended 30 June	
	2019	2018	2019	2018
Parent Company and related parties (the Ferrovial Group)	-	271	(21 283)	(19 833)
Subsidiary companies	345 502	293 495	(23 696)	(56 605)
Associates	3 376	920	(1 014)	(156)
Jointly controlled entities	273	1 435	-	-
Other related entities – through key personnel*	-	-	(2)	-
Total transactions with related parties	349 151	296 121	(45 995)	(76 594)

	Finance income		Finance costs	
	6-month period ended 30 June		6-month period ended 30 June	
	2019	2018	2019	2018
Parent Company and related parties (the Ferrovial Group)	-	-	(12)	(25)
Subsidiary companies	75 918	73 106	-	-
Associates	2 103	1 913	-	-
Total transactions with related parties	78 021	75 019	(12)	(25)

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

9. Description of significant achievements or failures of Budimex SA in the I half-year of 2019, key events concerning the Company's operations and significant events after 30 June 2019

In the first half of 2019 the results of Budimex SA were weaker than in the corresponding period of the previous year. The drop in profitability resulted mainly from the progressive cost inflation in the construction industry. Budimex SA carries out long-term contracts whose contractual provisions in most cases do not provide for valorization of remuneration. Therefore, dynamic changes in prices of subcontracting services recently translated into worsening margins, especially on contracts signed 2-3 years ago.

The order portfolio of Budimex SA is profitable and ensures adequate workload for subsequent quarters. In the first half of 2019 Budimex SA significantly increased the value of the order portfolio in the railway segment, which will translate into an even better use of production capacity in the railway segment in the coming quarters.

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

On 3 July 2019 Budimex concluded with Ferrovial Services International SE a dispositive agreement transferring the ownership of 89 760 shares in FBSerwis SA, constituting 51% of the share capital of FBSerwis and having a nominal value of PLN 500.00 per share, giving the right to exercise 89,760 votes at the General Meeting, i.e. giving 51% of votes at the meeting, for PLN 98 500 thousand. As a result of the transaction Budimex owns all the shares of

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FBSerwis, constituting in total 100% of the share capital of FBSerwis and entitling to exercise a total of 100% of votes at the General Meeting of FBSerwis.

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

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

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

The total value of legal proceedings pending in respect of liabilities and receivables as at 30 June 2019 was PLN 383 953 thousand. Excess of the value of proceedings against Budimex SA over proceedings relating to claims of the Company amounted to PLN 105 263 thousand.

On the basis of the information at hand, the total value of legal proceedings pending in respect of liabilities of Budimex SA as at 30 June 2019 was PLN 244 608 thousand. The proceedings pending in respect of Budimex SA relate to the operating activities of the Company.

The largest claim in dispute was submitted on 24 July 2017 by Muzeum Śląskie in Katowice against Budimex SA and Ferrovial Agroman SA, operating as a consortium, in connection with the performance of the contract called „Construction of new premises of Muzeum Śląskie in Katowice” concluded on 7 June 2011. The claimant requested that either the amount of PLN 122 758 thousand, together with statutory interest calculated as of the date of claim filing, was awarded jointly and severally against the defendants towards undue performance of the contract, or the defendants were ordered to reduce contract transaction price by the amount of PLN 34 675 thousand being the reimbursement of the unfairly, as stated by the claimant, paid contract consideration. Art. 471 of the Civil Code was named as the basis for the principal claim, while the provisions of contractor warranty for defects in the constructed facility – for the alternative claim (*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. Ferrovial Agroman SA files its request to the claim on 22 October 2018. The first hearing took place on 11 March 2019, during which the court obliged the parties to pay an advance towards the remuneration of the research institute, which will prepare an opinion on the case. As at the date of the report, the date of the next hearing is not known.

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

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

The total value of legal proceedings pending in respect of claims of Budimex SA amounted to PLN 139 345 thousand as at 30 June 2019. The proceedings relate mainly to the recovery of overdue receivables from business partners and to additional claims in respect of the construction work performed. As at the date of this report, the final outcome of the proceedings is not known.

11. Contingent assets and contingent liabilities

	30 June 2019	31 December 2018
<u>Contingent assets</u>		
From related entities, of which:	1 693	1 693
– bills of exchange received as security	1 693	1 693
From other entities, of which:	524 017	556 742
– guarantees and sureties received	519 169	552 442
– bills of exchange received as security	4 848	4 300
Other contingent assets	-	12 000
Total contingent assets	525 710	570 435
<u>Contingent liabilities</u>		
To related entities, of which:	322 962	326 116
– guarantees and sureties issued	322 962	326 116
To other entities, of which:	3 508 413	3 296 811
– guarantees and sureties issued	3 490 090	3 284 159
– promissory notes issued as security	18 323	12 652
Total contingent liabilities	3 831 375	3 622 927
Total off-balance sheet items	(3 305 665)	(3 052 492)

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

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

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

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 2013. The subject of the audit are, in particular, intangible services acquired by the Company, license agreement concluded with Ferrovial, as well as restructuring, under which Budimex from the direct, sole shareholder of Budimex Danwood Sp. z o.o., holding directly 100% shares in the share capital, became an indirect shareholder (through 100% subsidiary Budimex B Sp. z o.o.) of 100% shares in the share capital of Budimex Danwood Sp. z o.o. (exchange of shares). 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.

In the second quarter of 2019, customs and tax audit control was finished with regard to the reliability of the declared tax bases and the correctness of calculating and paying corporate income tax for 2012. Budimex SA accepted the controller's findings and submitted an appropriate correction of the tax return, increasing the tax liability by PLN 3 610 thousand.

Warsaw, 20 August 2019

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The logo for Budimex, consisting of the word "budimex" in a bold, lowercase, sans-serif font. The letters are a bright yellow color.

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

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