



**THE BUDIMEX GROUP**

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**for 1 half of 2017**

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

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**Consolidated statement of financial position**

<b>ASSETS</b>	<b>30 June 2017</b>	<b>31 December 2016</b>
<b>Non-currents (long-term) assets</b>		
Property, plant and equipment	116 943	114 674
Investment properties	24 901	25 581
Intangible assets	28 125	29 926
Goodwill of subordinated entities	73 237	73 237
Investments in equity accounted entities	39 777	43 427
Available-for-sale financial assets	9 396	9 396
Retentions for construction contracts	26 990	23 333
Trade and other receivables	36 766	36 256
Receivables from service concession agreement	46 265	46 096
Other financial assets	65 185	10 035
Deferred tax assets	430 902	444 975
<b>Total non-current (long-term) assets</b>	<b>898 487</b>	<b>856 936</b>
<b>Current (short-term) assets</b>		
Inventories	1 455 381	1 183 649
Trade and other receivables	613 111	516 720
Retentions for construction contracts	36 984	30 818
Amounts due and receivable from customers under construction contracts	749 302	288 456
Current tax assets	1 067	194
Other financial assets	181 833	1 758
Cash and cash equivalents	1 227 660	2 715 134
<b>Total current (short-term) assets</b>	<b>4 265 338</b>	<b>4 736 729</b>
<b>TOTAL ASSETS</b>	<b>5 163 825</b>	<b>5 593 665</b>

Warsaw, 28 August 2017

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(all amounts are expressed in PLN thousand)

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

<b>EQUITY AND LIABILITIES</b>	<b>30 June 2017</b>	<b>31 December 2016</b>
<b>Equity</b>		
Issued capital	145 848	145 848
Share premium	87 163	87 163
Other reserves	4 725	4 725
Foreign exchange differences on translation of foreign operations	5 236	5 525
Retained earnings	370 720	558 116
<b>Total shareholders' equity attributable to the shareholders of the Parent</b>	<b>613 692</b>	<b>801 377</b>
<b>Equity attributable to non-controlling interests</b>	<b>1 506</b>	<b>4 443</b>
<b>Total equity</b>	<b>615 198</b>	<b>805 820</b>
<b>Liabilities</b>		
<b>Non-current (long-term) liabilities</b>		
Loans, borrowings and other external sources of finance	63 162	62 333
Retentions for construction contracts	216 174	206 147
Provision for long-term liabilities and other charges	216 080	210 303
Retirement benefits and similar obligations	7 937	7 937
Other financial liabilities	3 211	1 984
<b>Total non-current (long-term) liabilities</b>	<b>506 564</b>	<b>488 704</b>
<b>Current (short-term) liabilities</b>		
Loans, borrowings and other external sources of finance	22 966	20 276
Trade and other payables	1 464 283	1 520 870
Retentions for construction contracts	196 296	186 244
Amounts due and payable to customers under construction contracts	1 110 932	1 352 639
Deferred income	1 064 330	1 002 017
Provision for short-term liabilities and other charges	173 633	161 835
Current tax liability	3 948	52 820
Retirement benefits and similar obligations	1 422	1 422
Other financial liabilities	4 253	1 018
<b>Total current (short-term) liabilities</b>	<b>4 042 063</b>	<b>4 299 141</b>
<b>Total liabilities</b>	<b>4 548 627</b>	<b>4 787 845</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>5 163 825</b>	<b>5 593 665</b>

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(all amounts are expressed in PLN thousand)

**Consolidated income statement**

	6-month period ended 30 June		3-month period ended 30 June	
	2017	2016	2017	2016
<b>Continuing operations</b>				
Net sales of finished goods, goods for resale, raw materials and services	2 721 772	2 429 700	1 669 032	1 442 046
Cost of finished goods, goods for resale, raw materials and services sold	(2 369 678)	(2 129 426)	(1 479 948)	(1 256 761)
<b>Gross profit on sales</b>	<b>352 094</b>	<b>300 274</b>	<b>189 084</b>	<b>185 285</b>
Selling expenses	(16 303)	(14 747)	(8 679)	(7 729)
Administrative expenses	(102 322)	(99 261)	(49 555)	(49 559)
Other operating income	20 415	26 906	6 245	5 335
Other operating expenses	(4 730)	(34 902)	1 709	(17 957)
<b>Operating profit</b>	<b>249 154</b>	<b>178 270</b>	<b>138 804</b>	<b>115 375</b>
Finance income	18 655	23 674	8 453	9 221
Finance costs	(20 470)	(18 476)	(9 263)	(8 475)
Share in net profits/ (losses) of equity accounted subordinates	(3 650)	(524)	(1 168)	682
<b>Gross profit</b>	<b>243 689</b>	<b>182 944</b>	<b>136 826</b>	<b>116 803</b>
Income tax	(48 908)	(36 426)	(27 298)	(22 202)
<b>Net profit from continuing operations</b>	<b>194 781</b>	<b>146 518</b>	<b>109 528</b>	<b>94 601</b>
<b>Net profit for the period</b>	<b>194 781</b>	<b>146 518</b>	<b>109 528</b>	<b>94 601</b>
<i>of which:</i>				
<b>Attributable to the shareholders of the Parent</b>	<b>194 638</b>	<b>146 067</b>	<b>109 480</b>	<b>94 525</b>
<i>Attributable to non-controlling interests</i>	<i>143</i>	<i>451</i>	<i>48</i>	<i>76</i>
<i>Basic and diluted earnings per share attributable to the shareholders of the Parent (in PLN)</i>	<i>7.62</i>	<i>5.72</i>	<i>4.29</i>	<i>3.70</i>

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(all amounts are expressed in PLN thousand)

**Consolidated statement of comprehensive income**

	6-month period ended 30 June		3-month period ended 30 June	
	2017	2016	2017	2016
<b>Net profit for the period</b>	<b>194 781</b>	<b>146 518</b>	<b>109 528</b>	<b>94 601</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	(289)	37	140	117
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>(289)</b>	<b>37</b>	<b>140</b>	<b>117</b>
<b>Total comprehensive income for the period</b>	<b>194 492</b>	<b>146 555</b>	<b>109 668</b>	<b>94 718</b>
<i>Of which:</i>				
<b>Attributable to the shareholders of the Parent</b>	<b>194 349</b>	<b>146 104</b>	<b>109 620</b>	<b>94 642</b>
<i>Attributable to non-controlling interests</i>	<i>143</i>	<i>451</i>	<i>48</i>	<i>76</i>

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(all amounts are expressed in PLN thousand)

### Consolidated statement of changes in equity

	Equity attributable to the shareholders of the Parent						Non- controlling interests	Total equity	
	Issued capital	Share premium	Other reserves		Foreign exchange differences on translation of foreign operations	Retained earnings			Total
			Share-based payments	Actuarial gains/(losses)					
Balance as at 1 January 2017	145 848	87 163	7 171	(2 446)	5 525	558 116	801 377	4 443	805 820
Profit for the period	-	-	-	-	-	194 638	194 638	143	194 781
Other comprehensive income	-	-	-	-	(289)	-	(289)	-	(289)
Total comprehensive income for the period	-	-	-	-	(289)	194 638	194 349	143	194 492
Dividends	-	-	-	-	-	(382 696)	(382 696)	-	(382 696)
Increase in share in subsidiaries	-	-	-	-	-	662	662	(3 080)	(2 418)
Balance as at 30 June 2017	145 848	87 163	7 171	(2 446)	5 236	370 720	613 692	1 506	615 198

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**Consolidated statement of changes in equity (cont.)**

	Equity attributable to the shareholders of the Parent Company						Non-controlling interests	Total equity	
	Issued capital	Share premium	Other reserves		Foreign exchange differences on translation of foreign operations	Retained earnings			Total
			Share-based payments	Actuarial gains/(losses)					
Balance as at 1 January 2016	145 848	87 163	7 349	(2 548)	5 425	355 969	599 206	3 918	603 124
Profit for the period	-	-	-	-	-	146 067	146 067	451	146 518
Other comprehensive income	-	-	-	-	37	-	37	-	37
Total comprehensive income for the period	-	-	-	-	37	146 067	146 104	451	146 555
Dividends	-	-	-	-	-	(207 815)	(207 815)	-	(207 815)
Share-based payment	-	-	(178)	-	-	-	(178)	-	(178)
Balance as at 30 June 2016	145 848	87 163	7 171	(2 548)	5 462	294 221	537 317	4 369	541 686
Profit for the period	-	-	-	-	-	263 784	263 784	174	263 958
Other comprehensive income	-	-	-	102	63	-	165	11	176
Total comprehensive income for the period	-	-	-	102	63	263 784	263 949	185	264 134
Non-controlling interest adjustment	-	-	-	-	-	111	111	(111)	-
Balance as at 31 December 2016	145 848	87 163	7 171	(2 446)	5 525	558 116	801 377	4 443	805 820

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**Consolidated statement of cash flows**

	6-month period ended 30 June	
	2017	2016
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Net profit before tax</b>	<b>243 689</b>	<b>182 944</b>
<b>Adjustments for:</b>		
Depreciation/ amortization	17 258	12 581
Share in net losses of equity accounted companies	3 650	524
Foreign exchange (gains)/ losses	315	(89)
Interest and shares in profits (dividends)	(491)	711
(Profit)/ loss on investing activities	(454)	(6)
Change in valuation of derivative financial instruments	(2 251)	1 500
Change in provisions and liabilities arising from retirement benefits and similar obligations	17 575	15 711
Other adjustments	89	(47)
<b>Operating profit/ (loss) before changes in working capital</b>	<b>279 380</b>	<b>213 829</b>
Change in receivables and retentions for construction contracts	(104 856)	(336 431)
Change in inventories	(271 732)	(130 511)
Change in retentions for construction contracts and in liabilities, except for loans and borrowings	(37 283)	190 777
Change in deferred income	62 313	101 887
Change in amounts due and receivable under construction contracts	(702 553)	(216 818)
Change in cash and cash equivalents of restricted use	26 152	63 027
<b>Cash flow used /from operating activities</b>	<b>(748 579)</b>	<b>(114 240)</b>
Income tax paid	(84 266)	(79 209)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(832 845)</b>	<b>(193 449)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of intangible assets and property, plant and equipment	2 949	371
Purchase of intangible assets and property, plant and equipment	(10 029)	(13 280)
Share capital increase in consolidated subsidiaries	(2 418)	-
Share capital increase in non-consolidated subsidiaries	-	(150)
Purchase of held-to-maturity financial assets	(178 486)	-
Loans granted	(49 546)	(6 860)
Interest received	134	1 777
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(237 396)</b>	<b>(18 142)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of loans and borrowings	(512)	(450)
Dividends paid	(382 696)	(207 815)
Repayment of finance lease liabilities	(5 680)	(6 308)
Interest paid	(1 148)	(903)
Other finance expenditure	(321)	(326)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(390 357)</b>	<b>(215 802)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(1 460 598)</b>	<b>(427 393)</b>
Foreign exchange differences, net	(724)	427
<b>CASH AND CASH EQUIVALENTS - OPENING BALANCE (note 3.3)</b>	<b>2 524 033</b>	<b>2 184 077</b>
<b>CASH AND CASH EQUIVALENTS - CLOSING BALANCE (note 3.3)</b>	<b>1 062 711</b>	<b>1 757 111</b>

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

### 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 June 2017, 31 December 2016 and 30 June 2016 the following subsidiaries were subject to consolidation:

Company name	Registered office	% in the share capital as at		
		30 June 2017	31 December 2016	30 June 2016
Mostostal Kraków SA	Cracow / Poland	100.00%	100.00%	100.00%
Budimex Bau GmbH	Cologne/ Germany	100.00%	100.00%	100.00%
Budimex Nieruchomości Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
Budimex Budownictwo Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
SPV-BN 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	97.53%	92.31%	92.31%

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
Budimex SA Budimex Budownictwo Sp. z o.o. s.c.	100.00%
Budimex SA Energetyka 1 Sp.j.	100.00%
Budimex SA Ferrovia Agroman SA s.c.	99.98%
Budimex SA Ferrovia Agroman SA 2 s.c.	95.00%
Budimex SA Sygnity SA Sp. j.	67.00%
Budimex SA Cadagua SA III s.c.	60.00%
Budimex SA Cadagua SA IV s.c.	60.00%
Budimex SA Cadagua SA V s.c.	60.00%
Budimex SA Ferrovia Agroman SA Sp. j.	50.00%
Budimex SA Cadagua SA II s.c.	50.00%

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**budimex**

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Joint operation	share
Budimex SA Tecnicas Reunidas SA Turów s.c.	50.00%
Budimex SA Energetyka 2 Sp.j.	50.00%
Budimex SA Energetyka 3 Sp.j.	50.00%

As at 30 June 2017, 31 December 2016 and 30 June 2016 equity accounted companies included:

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

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

In the 6-month period ended 30 June 2017 Budimex SA bought from minority shareholders 282 484 shares, which equals to 5.22% of share capital and of voting rights at the AGM of Elektromontaż Poznań SA. The buyout was performed with 623 transactions. The total price for the shares declared by Budimex SA amounted to PLN 2 418 thousand. The value of net assets of Elektromontaż Poznań SA acquired by Budimex SA amounted to PLN 3 080 thousand. The difference between the price and the share in the net assets amounting to PLN 662 thousand was presented in retained earnings.

On 10 July 2017 Budimex Budownictwo Sp. z o.o., a company 100% owned by Budimex SA, purchased from the State Treasury 77 043 shares of Elektromontaż Poznań SA, which equal to 1.42% of share capital and of voting rights at the AGM of the company. The total consideration for the shares purchased amounted to PLN 822 thousand. The transaction was booked in July 2017.

On 11 August 2017 a new entity was registered in the National Court Register - Mostostal Kraków Energetyka Sp. z o.o. All the shares were taken up by Mostostal Kraków SA, an entity 100%-owned by Budimex SA. The data of the recently formed company will be consolidated starting from August 2017.

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 28 August 2017 was as follows:

Shareholder	Type of shares	Number of shares	% of the share capital	Number of votes	% of voting rights at the AGM
Valivala Holdings B.V. Amsterdam (the Netherlands) - Ferrovial Group company (Spain)	ordinary	14 078 159	55.14%	14 078 159	55.14%
Aviva OFE Aviva BZ WBK	ordinary	2 344 000	9.18%	2 344 000	9.18%
Nationale-Nederlanden OFE	ordinary	1 376 939	5.39%	1 376 939	5.39%
Other shareholders	ordinary	7 731 000	30.29%	7 731 000	30.29%
<b>Total</b>		<b>25 530 098</b>	<b>100.00%</b>	<b>25 530 098</b>	<b>100.00%</b>

On 31 March 2017 Valivala Holdings B.V. sold 1 000 000 shares of Budimex SA decreasing its share from 59.06 % to 55.14%. Those shares were acquired by Nationale - Nederlanden OFE that increased its share in issued capital of Budimex SA to 5.39%.

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

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

These condensed financial statements were prepared in accordance with IAS 34 "Interim Financial Reporting" and appropriate accounting standards applicable for preparation of the interim consolidated financial statements adopted by the European Union issued and effective when preparing the interim consolidated financial statements applying the same principles for the current and comparable period. Details of accounting policies adopted by the Group were described in the consolidated financial statements of the Group for the year ended 31 December 2016, published on 21 March 2017.

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 effective in the current period***

The Group has elected to use the opportunity of early adoption of IFRS 15 „Revenue from Contracts with Customers” and Amendments to IFRS 15 – “Effective date of IFRS 15” starting from 1 January 2017. The details were described in the disclosure note 3.2.

#### ***Standards already published, but not yet effective***

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

- IFRS 9 „Financial Instruments”, endorsed in the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018),

The Group has elected not to use the opportunity of early adoption of IFRS 9. The Group estimates that IFRS 9 would not have any material impact on the consolidated financial statements, had it been applied at the reporting date.

#### ***Standards, amendments to standards and interpretations issued by IASB but not yet adopted by the EU***

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

- IFRS 14 „Regulatory Deferral Accounts” (the EU has decided to suspend the endorsement process),
- IFRS 16 „Leases” (effective for annual periods beginning on or after 1 January 2019),
- IFRS 17 „Insurance contracts” (effective for annual periods beginning on or after 1 January 2021),
- Amendments to IFRS 2 „Share-based Payment” – *Classification and Measurement of Share-based Payment Transactions* (effective for annual periods beginning on or after 1 January 2018),
- Amendments to IFRS 4 „Insurance Contracts” – *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* (effective for annual periods beginning on or after 1 January 2018 or upon first-time application of IFRS 9 “Financial Instruments”),
- 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 EU suspended the endorsement process for an indefinite period of time),
- Amendments to IAS 7 „Statement of Cash Flows” – *Disclosure Initiative* (effective for annual periods beginning on or after 1 January 2017),
- Amendments to IAS 12 „Income Taxes” – *Recognition of Deferred Tax Assets for Unrealised Losses* (effective for annual periods beginning on or after 1 January 2017),
- Explanations to IFRS 15 „Revenue from Contracts with Customers” (effective for annual periods beginning on or after 1 January 2018),

- Annual Improvements to IFRSs (Cycle 2014-2016) – improvements to IFRS 1, IFRS 12 and IAS 28, mainly with a view to removing inconsistencies and ensuring wording clarification (amendments to IFRS 12 are effective for annual periods beginning on or after 1 January 2017, while the amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018),
- Amendments to 40 “Investment Property” - Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018),
- IFRIC 22 „Foreign Currency Transactions and Advance Consideration” (effective for annual periods beginning on or after 1 January 2018),
- IFRIC 23 „Uncertainty over income tax treatments” (effective for annual periods beginning on or after 1 January 2019).

The Group 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 remaining standards, standards amendments or improvements and the IFRIC Interpretations would not have any material impact on the consolidated financial statements, had these been applied by the Group at the reporting date.

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

In the period covered by the report for the Budimex Group applied for the first time IFRS 15 „Revenue from Contracts with Customers” and Amendments to IFRS 15 – “Effective date of IFRS 15”. The Group decided to apply the standard retrospectively with a total impact of the first application reported as at that day. According to the Group the early application of IFRS 15 did not have any material impact on the previous years’ consolidated financial statements. That is why as at 30 June 2017 no adjustment was made which would be presented in the retained earnings.

Main assumptions of the accounting principles applied by the Group as at the date of the first application of IFRS 15 are presented below.

#### **Revenue from contracts with customers**

Revenue from contracts with customers is recognized only when all following conditions are met:

- the parties approved the contract and they are committed to perform their respective obligations,
- the Group entity can identify each party’s rights regarding the goods or services to be transferred,
- the Group entity can identify the payment terms for the goods or services to be transferred,
- the contract has commercial substance and
- it is probable that the Group entity will collect the consideration to which it will be entitled in exchange for the goods or services to be transferred to the customer.

The Group entities combine contracts which were entered into at or near the same time with the same customer (or related parties of the customer) and account for as a single contract if:

- the contracts are negotiated as a package with a single commercial objective or
- the amount of consideration to be paid in one contract is dependent on the price or performance of the other contract or
- the goods or services promised in the contracts are a single performance obligation.

The Group entities account for a contract modification as a separate contract if the scope of the contract increases because of the addition of promised goods or services that are distinct or if the price of the contract increases by an amount that reflects the stand-alone selling price of the additional promised goods or services.

The Group entities recognize revenue when (or as) they satisfy a performance obligation by transferring a promised good or service to the customer. An asset is transferred when the customer obtains control of the asset (in case of entities from the developer segment the signature of a notarial deed transferring the ownership of the purchased real estate property is considered to be equivalent of obtaining control). Revenue is recognized as an amount equal to the transaction price which was allocated to the performance obligation.

As the Group entity enters into a contract, it assesses the goods or services promised in the contract with the customer and identifies as a separate performance obligation every good or service that is distinct or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

The Group entity transfers control over a good or service over time and consequently satisfies performance obligation and recognizes revenue over time, if one of the following conditions is met:

- the customer simultaneously receives and consumes the benefits provided by the Group entity's performance as the Group entity performs,
- the performance of the Group entity creates or enhances an asset that the customer controls as the asset is created or enhanced,
- the Group entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

It is considered that in case of providing construction services by the Group entities there is generally one performance obligation. Thus, the question of transaction price allocation to the performance obligation does not require estimations.

For every performance obligation satisfied over time the Group entities recognize revenue based on output methods (surveys of performance completed to date) or based on input (proportion method that measures the proportion of the contract costs incurred to date in the estimated total contracts costs).

When the outcome of a performance obligation cannot be estimated reliably, revenue is recognised only to the extent of costs incurred that it is probable will be recoverable.

If a performance obligation is not satisfied over time, it is assumed that the Group entity satisfies it at a point in time.

In case it is probable that total contract costs will exceed total contract revenue, according to IAS 37 the expected loss (excess of cost over revenue) is recognized as an operating expense and simultaneously a provision for onerous contracts is created (provision for contract losses).

Additional costs of obtaining a contract with a customer are recognized as an expense when incurred due to uncertainty of their recovery.

Developer companies keep records that allow to determine the amount of costs relating to individual project elements which may be sold separately. Upon recognition of sales revenue, the Group entity recognizes the cost of construction of a given area by reducing finished goods by the share of the premises sold in the total area of a given type of premises.

Included in assets are the "amounts due and receivable from customers under construction contracts", with reference to all contracts in progress, for which recognised revenue exceeds progress billings. The outstanding invoiced amounts due and payable for the contract work performed are recognised under "Trade and other receivables", while the amounts retained by contractors - under "Retentions for construction contracts".

Included in liabilities are the "amounts due and payable to customers under construction contracts", with reference to all contracts in progress, for which progress billings exceed revenue recognized. Recorded under "amounts due and payable to customers under construction contracts" are also provisions for contract losses. The outstanding amounts due and payable to suppliers, for which invoices have been received are recognised under "Trade and other payables", while the amounts retained for suppliers - under "Retentions for construction contracts".

Payments received for goods not delivered or services not completed are recognized in the statement of financial position under deferred income.

In accordance with the accruals concept, the Group recognises in the profit and loss account all costs relating to the given reporting period, irrespective of the period in which they were actually settled. Incurred costs that do not relate to the given reporting period are recognised under assets as prepayments (included under "trade and other receivables"), while the costs of the period that were not incurred – under accruals (included under "trade and other payables").

In the reporting period there were no other changes in the accounting principles and the method of preparation of financial statements compared to those disclosed in the consolidated financial statements of the Budimex Group for the financial year 2016, published on 21 March 2017.



### 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 and funds kept in escrow by developer companies) 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 June 2017	31 December 2016	30 June 2016
<b>Cash recognised in the statement of financial position</b>	<b>1 227 660</b>	<b>2 715 134</b>	<b>1 923 133</b>
Cash and cash equivalents of restricted use	(164 949)	(191 101)	(166 022)
<b>Cash recognised in the statement of cash flow</b>	<b>1 062 711</b>	<b>2 524 033</b>	<b>1 757 111</b>

## 4. Descriptions of factors and events which had a material effect on the financial result of the Budimex Group for the first half-year of 2017

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

In the 6-month period ended 30 June 2017, the Budimex Group earned sales revenue of PLN 2 721 772 thousand which means a 12.02% increase on the corresponding period of 2016. Sales revenue of the Budimex Group for the second quarter of 2017 only amounted to PLN 1 669 032 thousand and was PLN 226 986 thousand higher (15.74%) than in the corresponding period of the previous year.

In the first half of 2017 construction-assembly production in Poland expressed in current prices increased by 8.0% (an increase by 7.6% in fixed prices) compared to the corresponding period of the prior year, while sales of the construction segment of the Budimex Group on the home market were up 8.84% on the corresponding period.

Gross profit on sales in the first half of 2017 was PLN 352 094 thousand, while in the corresponding period of the prior year it amounted to PLN 300 274 thousand. The gross sales profitability ratio was therefore 12.94% in the first half of 2017, while in the first half of 2016 was 12.36%. On the other hand the gross profitability ratio was 11.33% in the second quarter of 2017 compared to 12.85% in the corresponding period of 2016.

In accordance with the accounting policies adopted, when budgeted contract costs exceed the entire expected contract revenue, Group companies create provisions for expected contract losses and recognize them under „Amounts due and payable to customers under construction contracts”. As at 30 June 2017, the balance of the provision for contract losses amounted to PLN 407 277 thousand. In the first half of 2017, the balance of provision for contract losses decreased by PLN 1 178 thousand, while only in the second quarter of 2017 the balance of provision for contract losses increased by PLN 15 578 thousand.

The Budimex Group companies are required to issue a warranty for the construction services rendered. As at 30 June 2017 the provision for warranty amounted to PLN 298 656 thousand. In the 6-month period ended 30 June 2017 the balance of the provision for warranty increased by PLN 19 949 thousand, while in the second quarter of 2017 the increase was PLN 13 371 thousand.

Selling expenses increased in the first half of 2017 by PLN 1 556 thousand compared to the corresponding period of the prior year, while administrative expenses were PLN 3 061 thousand higher than expenses incurred in the corresponding period of 2016. The share of selling and administrative expenses in total sales was 4.36% in the first half of 2017 compared to 4.69% in the corresponding period of 2016.

Other operating income for the first half of 2017 was PLN 20 415 thousand and comprised: gain on valuation and realization of FX forward and FX option derivative instrument contracts (made with a view to limiting the FX risk on foreign currency construction contracts) in the amount of PLN 2 996 thousand (a loss in the second quarter of 2017

only was PLN 73 thousand), income from compensations and contractual penalties in the amount of PLN 8 617 thousand (PLN 4 783 thousand in the second quarter of 2017 only) and reversal of provisions for lawsuits in the amount of PLN 2 583 thousand (entirely reversed in the first quarter of 2017). Reversed write-off for receivables due to repayment by debtors amounted to PLN 2 503 thousand (PLN 287 thousand in the second quarter of 2017 only). The write-off for overdue liabilities amounted to PLN 1 895 thousand (PLN 683 thousand in the second quarter of 2017 only). Additionally, in the period of six months of 2017 Group companies disposed of property, plant and equipment and investment properties and reported a gain on sale of PLN 1 370 thousand, at the same time incurring a loss on liquidation of plant, property and equipment of PLN 580 thousand. The net book value of the property, plant and equipment and investment properties sold amounted to PLN 1 579 thousand.

Other operating expenses for the first half of 2017 amounted to PLN 4 730 thousand, of which PLN 1 338 thousand related to creation of write-off for receivables (minus PLN 3 245 thousand only in the second quarter of 2017), PLN 1 135 thousand related to compensations and contractual penalties paid out (PLN 375 thousand in the second quarter of 2017 only) and PLN 992 thousand – to donations (PLN 493 thousand in the second quarter of 2017 only).

In comparison, in the first half of 2016 the operating income was PLN 26 906 thousand and comprised of: income from compensations and contractual penalties in the amount of PLN 14 149 thousand, reversal of provision for penalties in the amount of PLN 5 510 thousand and reversal of provisions for lawsuits in the amount of PLN 2 611 thousand. Reversed write-off for receivables (due to repayment by debtors) and inventories amounted to PLN 2 379 thousand and PLN 893 thousand respectively. Additionally, in the period of six months of 2016 Group companies disposed of property, plant and equipment and reported a gain on sale of PLN 334 thousand. The net book value of the property, plant and equipment sold amounted to PLN 0 thousand and the net book value of the liquidated ones was PLN 37 thousand.

Respectively, other operating expenses for the first half of 2016 amounted to PLN 34 902 thousand, of which PLN 12 571 thousand related to creation of write-off for receivables, PLN 10 800 thousand to created provision for claims and penalties, PLN 5 717 thousand to compensations and contractual penalties paid out and PLN 3 512 thousand – to loss on realization and valuation of FX forward and FX option derivative instrument contracts (made with a view to limiting the FX risk on foreign currency construction contracts).

The reported operating profit of the Group in the first half of 2017 was PLN 249 154 thousand (PLN 138 804 thousand in the second quarter of 2017 only), while in the first half of 2016 it amounted to PLN 178 270 thousand (PLN 115 375 thousand in the second quarter of 2016 only). The operating profit for the first half of 2017 represented 9.15% of sales revenue value (8.32% in the second quarter of 2017 only), while for the corresponding period of the prior year – 7.34% of sales revenue (8.00% in the second quarter of 2016 only).

In the 6-month period ended 30 June 2017 the Group incurred a loss on finance activities in the amount of PLN 1 815 thousand (a loss amounted to PLN 810 thousand in the second quarter of 2017 only), while in the same period of the prior year – gain in the amount of PLN 5 198 thousand (a gain amounted to PLN 746 thousand in the second quarter of 2016 only). Finance income in the first half of 2017 represented mainly interest of PLN 16 992 thousand (PLN 7 664 thousand in the second quarter of 2017), valuation of receivables from service concession agreement of PLN 1 463 thousand (PLN 732 thousand in the second quarter of 2017 only), reversal of discounting of long-term receivables in the amount of PLN 200 thousand (PLN 98 thousand in the second quarter of 2017 only).

Finance costs in the first half of 2017 represented, among others, interest costs of PLN 2 205 thousand (PLN 1 145 thousand in the second quarter of 2017 only), bank commissions on guarantees and loans of PLN 11 802 thousand paid by Group companies (PLN 6 002 thousand in the second quarter of 2017 only) and costs from discounting of long-term retention receivables and liabilities of PLN 4 481 thousand (PLN 2 111 thousand in the second quarter of 2017 only). During the first half of 2017 the Group incurred a loss on valuation and realization of interest rate swap derivative instrument in the amount of PLN 603 thousand (PLN 442 thousand in the second quarter of 2017 only). Surplus of negative exchange rate differences over positive differences in the amount of PLN 1 362 thousand was also recognized in the finance costs.

In comparison, in the 6-month period ended 30 June 2016 the Group generated finance income mainly due to interest of PLN 21 365 thousand, valuation of receivables from service concession agreement of PLN 1 450 thousand, reversal of discounting of long-term receivables in the amount of PLN 250 thousand and the surplus of positive exchange rate differences over negative differences in the amount of PLN 608 thousand.



On the other hand finance costs in the first half of 2016 represented, among others, interest costs of PLN 1 631 thousand, bank commissions on guarantees and loans of PLN 11 996 thousand paid by Group companies and costs from discounting of long-term retention receivables and liabilities of PLN 4 379 thousand. During the first half of 2016 the Group incurred a loss on valuation and realization of interest rate swap derivative instrument in the amount of PLN 446 thousand (made with a view to limiting the interest risk).

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 6 months ended 30 June 2017, 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.

In the first half of 2017, the Group reported a gross profit of PLN 243 689 thousand, while in the corresponding period of the prior year – a gross profit of PLN 182 944 thousand.

Income tax for the 6-month period ended 30 June 2017 was PLN 48 908 thousand (PLN 36 426 thousand for the first half of 2016), of which:

- current tax was PLN 34 819 thousand,
- deferred tax in the amount of PLN 14 089 thousand.

As at 30 June 2017, the Group recognized a deferred tax asset in the amount of PLN 430 902 thousand, while as at 31 December 2016 – PLN 444 975 thousand. The reported statement of financial position items of deferred tax asset 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 the Budimex SA for the first half of 2017 was PLN 194 638 thousand (PLN 109 480 thousand in the second quarter of 2017), while the net profit attributable to the shareholders of the Budimex SA for the corresponding period of 2016 was PLN 146 067 thousand (PLN 94 525 thousand in the second quarter of 2016 only).

The net profit attributable to non-controlling interest for the first half of 2017 amounted to PLN 143 thousand (PLN 48 thousand in the second quarter of 2017 only). In the corresponding period of 2016, the net profit attributable to non-controlling interest amounted to PLN 451 thousand (PLN 76 thousand in the second quarter of 2016).

In the 6-month period of 2017 the Group reversed write-offs for inventory in the amount of PLN 6 584 thousand. The reversal 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 inventory.

On the other hand, in the corresponding period of 2016 the Group reversed the write-offs for inventory in the amount of PLN 1 011 thousand. The reversal 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 inventory in that period.

Another transaction of significant value during the first 6 months of 2017 was the purchase of short-term bonds of some Polish mortgage banks amounting to PLN 178 486 thousand. The bonds were classified as financial assets held-to-maturity. Their fair value is similar to the value presented in the consolidated statement of financial position as these are short-term instruments.

In the first half of 2017, the Group purchased or started to lease property, plant and equipment and intangible assets with a total value of PLN 20 312 thousand, of which plant and machinery accounted for PLN 13 693 thousand. In the first half of 2016, the Group purchased or started to lease property, plant and equipment, intangible assets and investment property with a total value of PLN 26 635 thousand, of which plant and machinery accounted for PLN 17 559 thousand.

The contractual obligations made by the Group for the purchase of property, plant and equipment amounted to PLN 70 217 thousand as at 30 June 2017.

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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
- 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-BN 1 Sp. z o.o.
- Budimex SA in a part relating to developer business, as a result of merger with Budimex Inwestycje Sp. z o.o. on 13 August 2009

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

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

The results of segments for the first half-year of 2017 are presented in the table below:

Segment name	Construction business	Property management and developer business	Other business	Consolidation adjustments	Consolidated value
External sales	2 437 670	229 182	54 920	-	2 721 772
Inter-segment sales	159 621	406	22 404	(182 431)	-
<b>Total sales of finished goods, goods for resale and raw materials</b>	<b>2 597 291</b>	<b>229 588</b>	<b>77 324</b>	<b>(182 431)</b>	<b>2 721 772</b>
<b>Gross profit</b>	<b>297 302</b>	<b>46 055</b>	<b>10 379</b>	<b>(1 642)</b>	<b>352 094</b>
Selling expenses	(5 004)	(8 822)	(2 492)	15	(16 303)
Administrative expenses	(95 158)	(10 168)	(2 683)	5 687	(102 322)
Other operating income, net	14 090	4 134	505	(3 044)	15 685
<b>Operating profit</b>	<b>211 230</b>	<b>31 199</b>	<b>5 709</b>	<b>1 016</b>	<b>249 154</b>
Finance income/(costs), net	(3 409)	1 497	121	(24)	(1 815)
Shares in (losses) of equity accounted subordinates	-	-	(3 650)	-	(3 650)
Income tax expense	(41 329)	(6 357)	(1 035)	(187)	(48 908)
<b>Net profit for the period</b>	<b>166 492</b>	<b>26 339</b>	<b>1 145</b>	<b>805</b>	<b>194 781</b>

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The results of segments for the half-year of 2016 are presented in the table below:

Segment name	Construction business	Property management and developer business	Other business	Consolidation adjustments	Consolidated value
External sales	2 220 397	126 409	82 894	-	2 429 700
Inter-segment sales	151 379	535	4 825	(156 739)	-
<b>Total sales of finished goods, goods for resale and raw materials</b>	<b>2 371 776</b>	<b>126 944</b>	<b>87 719</b>	<b>(156 739)</b>	<b>2 429 700</b>
<b>Gross profit</b>	<b>258 256</b>	<b>33 477</b>	<b>12 574</b>	<b>(4 033)</b>	<b>300 274</b>
Selling expenses	(5 328)	(7 148)	(2 298)	27	(14 747)
Administrative expenses	(92 610)	(7 725)	(2 780)	3 854	(99 261)
Other operating income/(costs), net	(8 835)	104	735	-	(7 996)
<b>Operating profit</b>	<b>151 483</b>	<b>18 708</b>	<b>8 231</b>	<b>(152)</b>	<b>178 270</b>
Finance income, net	2 767	2 326	105	-	5 198
Shares in (losses) of equity accounted subordinates	(4)	-	(520)	-	(524)
Income tax expense	(30 998)	(4 039)	(1 418)	29	(36 426)
<b>Net profit for the period</b>	<b>123 248</b>	<b>16 995</b>	<b>6 398</b>	<b>(123)</b>	<b>146 518</b>

## 6. Net sales of finished goods, goods for resale, raw materials and services by categories

### 6.1. Revenue by type of product or service

In the first half-year of 2017 the net sales of finished goods, goods for resale, raw materials and services by type of product or service were as follows:

Segment name	Construction business	Property management and developer business	Other business	Consolidation adjustments	Consolidated value
Revenue from sale of construction and assembly services	2 562 989	-	71 926	(176 692)	2 458 223
Revenue from sale of other services	12 293	1 996	4 373	(5 739)	12 923
Revenue from sale of finished goods	19 888	227 592	984	-	248 464
Revenue from sale of goods for resale and raw materials	2 121	-	41	-	2 162
<b>Total sales of finished goods, goods for resale and raw materials</b>	<b>2 597 291</b>	<b>229 588</b>	<b>77 324</b>	<b>(182 431)</b>	<b>2 721 772</b>

In the half-year of 2016 the net sales of finished goods, goods for resale, raw materials and services by type of product or service were as follows:

Segment name	Construction business	Property management and developer business	Other business	Consolidation adjustments	Consolidated value
Revenue from sale of construction and assembly services	2 341 159	-	82 135	(152 806)	2 270 488
Revenue from sale of other services	15 198	1 867	4 243	(3 933)	17 375
Revenue from sale of finished goods	13 270	125 077	1 193	-	139 540
Revenue from sale of goods for resale and raw materials	2 149	-	148	-	2 297
<b>Total sales of finished goods, goods for resale and raw materials</b>	<b>2 371 776</b>	<b>126 944</b>	<b>87 719</b>	<b>(156 739)</b>	<b>2 429 700</b>

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### 6.2. Revenue by geographic area

In the first half-year of 2017 the net sales of finished goods, goods for resale, raw materials and services by geographic area were as follows:

Segment name	Construction business	Property management and developer business	Other business	Consolidation adjustments	Consolidated value
Poland	2 482 583	229 588	75 761	(182 431)	2 605 501
Germany	97 607	-	101	-	97 708
Other EU countries	15 417	-	-	-	15 417
Other countries*	1 684	-	1 462	-	3 146
<b>Total sales of finished goods, goods for resale and raw materials</b>	<b>2 597 291</b>	<b>229 588</b>	<b>77 324</b>	<b>(182 431)</b>	<b>2 721 772</b>

\*other countries include Ukraine and Russia

In the first half-year of 2016 the net sales of finished goods, goods for resale, raw materials and services by geographic area were as follows:

Segment name	Construction business	Property management and developer business	Other business	Consolidation adjustments	Consolidated value
Poland	2 281 030	126 944	87 099	(156 739)	2 338 334
Germany	86 883	-	-	-	86 883
Other EU countries	995	-	-	-	995
Other countries*	2 868	-	620	-	3 488
<b>Total sales of finished goods, goods for resale and raw materials</b>	<b>2 371 776</b>	<b>126 944</b>	<b>87 719</b>	<b>(156 739)</b>	<b>2 429 700</b>

\*other countries include Ukraine and Russia

### 6.3. Revenue of the segment „Construction business” by construction type

The net sales of finished goods, goods for resale, raw materials and services of the operating segment „construction business”, which is the most significant one in the Group, were additionally split by construction type. The data for the first half-year of 2017 and the first half-year of 2016 were as follows:

Type of construction	Total sales of finished goods, goods for resale and raw materials for a 6-month period ended:	
	30 June 2017	30 June 2016
Civil engineering (infrastructure)	1 329 007	1 363 132
General construction, of which:	1 268 284	1 008 644
- non-residential	870 595	682 577
- residential	397 689	326 067
<b>Total sales of finished goods, goods for resale and raw materials – segment „Construction business”</b>	<b>2 597 291</b>	<b>2 371 776</b>

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### 7. Related party transactions

Transactions with related parties made in the first half-year of 2017 and in the first half-year of 2016 and unsettled balances of receivables and liabilities as at 30 June 2017 and 31 December 2016 are presented in the tables below:

	Receivables		Liabilities	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Parent Company and related parties (the Ferrovial Group)	20 758	20 472	73 052	95 843
Jointly-controlled entities	8 048	8 890	838	665
Associates	151	357	1 566	1 537
Other related entities – non-consolidated subsidiaries*	20	-	623	623
Other related entities – other*	7	7	-	-
Other related entities – through key personnel*	-	-	-	-
<b>Total settlements with related parties</b>	<b>28 984</b>	<b>29 726</b>	<b>76 079</b>	<b>98 668</b>

	Loans granted / acquired debt securities		Loans taken out / issued debt securities	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Parent Company and related parties (the Ferrovial Group)	-	-	8 785	9 165
Jointly-controlled entities	-	-	-	-
Associates	58 580	9 163	-	-
Other related entities – non-consolidated subsidiaries*	-	-	-	-
Other related entities – other*	-	-	-	-
Other related entities – through key personnel*	-	-	-	-
<b>Total settlements with related parties</b>	<b>58 580</b>	<b>9 163</b>	<b>8 785</b>	<b>9 165</b>

	Sales of finished goods and services		Purchase of finished goods and services	
	6-month period ended 30 June 2017	6-month period ended 30 June 2016	6-month period ended 30 June 2017	6-month period ended 30 June 2016
Parent Company and related parties (the Ferrovial Group)	565	5 804	(22 904)	(23 430)
Jointly-controlled entities	15 709	457	(49)	(89)
Associates	568	213	(3 218)	(3 060)
Other related entities – non-consolidated subsidiaries*	120	120	-	(1)
Other related entities – other*	-	-	-	-
Other related entities – through key personnel*	-	-	-	(15)
<b>Total transactions with related parties</b>	<b>16 962</b>	<b>6 594</b>	<b>(26 171)</b>	<b>(26 595)</b>

	Finance income		Finance costs	
	6-month period ended 30 June 2017	6-month period ended 30 June 2016	6-month period ended 30 June 2017	6-month period ended 30 June 2016
Parent Company and related parties (the Ferrovial Group)	-	-	(29)	(36)
Jointly-controlled entities	-	-	-	-
Associates	501	154	-	-
Other related entities – non-consolidated subsidiaries*	-	-	-	-
Other related entities – other*	-	-	-	-
Other related entities – through key personnel*	-	-	-	-
<b>Total transactions with related parties</b>	<b>501</b>	<b>154</b>	<b>(29)</b>	<b>(36)</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.

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 half-year**

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

- instability on the financial markets,
- higher demand for subcontractors' services and their financial standing, which might have influence on quality and timeliness of the works performed,
- fluctuations of exchange rates, which have the impact on the sales revenue, operating costs and result of the valuation and realisation of derivative financial instrument contracts,
- price level of material and construction services affecting the amount of direct costs of realised contracts,
- 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,
- availability of qualified employees,
- level of competition in public tenders.

As at 30 June 2017 the backlog was PLN 9 614 227 thousand. The value of contracts signed between January and June 2017 was PLN 3 170 916 thousand. The number of pre-sold apartments in the period from January - June 2017 (without booking) is 886 units.

## **9. The main events in the first half of 2017 and significant events after 30 June 2017**

In the first half-year of 2017 and till the date of the report the Budimex Group companies have been notified about the selection of their offer or entered into the following contracts:

### **Significant contracts:**

Date of the first current report	Customer	Contract value	Description
24.01.2017	PKP Polskie Linie Kolejowe SA	216 678 (61 604)*	Selection of the bid of the consortium of: Budimex SA (consortium partner with 33% of shares), Grupa Strabag Sp. z o.o. (consortium leader with 34% of shares; it consists of the following companies: Strabag Rail GmbH, Strabag Rail a.s., Strabag Általános Építő Kft.), ZUE SA (consortium partner with 33% of shares) for developing a construction and detailed design for executing the LOT B works in the "Design and Construction" formula under the Operational Programme Infrastructure and Environment 5.1-3 "Modernization of the railway No 8, Warszawa Okęcie - Radom (LOT A, B, F) section - Stage II" project. The contract was signed on 11 April 2017.
13.02.2017	PKP Polskie Linie Kolejowe SA	560 012 (163 684)	Selection of the bid of the consortium of Budimex SA (consortium partner, 33%), ZUE SA and Strabag Group companies (Strabag Sp. z o.o., Strabag Rail A.S., Strabag Rail GmbH, Strabag Általános Építő Kft) for the performance of civil works in LCS Kutno – Żychlin-Barłogi section under project named "Works on the E20 railway line at the Warszawa – Poznań section – other works, Sochaczew – Swarzędz section" implemented under the Connecting Facility Europe (CEF) EU financial instrument. The contract was signed on 5 April 2017.

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Date of the first current report	Customer	Contract value	Description
17.02.2017	PKP Polskie Linie Kolejowe SA	159 700 (49 731)*	Signature of the contract for the design and construction works for the "Works on the ring road in Warsaw (Warszawa Gołębki/Warszawa Zachodnia – Warszawa Gdańska section)" project by the consortium of Budimex SA (consortium leader, 34%), ZUE SA (consortium partner 33%) and Strabag Group companies (consortium partner 33%, including: Strabag Sp. z o.o., Strabag Rail A.S., Strabag Rail GmbH, Strabag Áltálanos Építő Kft).
10.03.2017	PKP Polskie Linie Kolejowe SA	389 624 (334 644)*	Selection of the bid from the consortium of Budimex Budownictwo Sp. z o.o. (a wholly owned subsidiary of Budimex SA) – the leader of the consortium with the share of 95% and Ferrovia Agroman SA – the consortium partner with the share of 5% for the execution of the works on the railway line No 7 Warszawa Wschodnia Osobowa – Dorohusk, along the section Warszawa-Otwork-Dęblin-Lublin Phase I – in the scope of a partial order A – execution of the modernisation on the railway line No 7 along the Otwork-Pilawa section in km 26.050-km 55.600. The contract was signed on 5 April 2017.
10.03.2017	PKP Polskie Linie Kolejowe SA	597 411 (393 484)*	Selection of the bid from the consortium of Mostostal Kraków (a wholly subsidiary of Budimex SA) – the leader of the consortium with the share of 77,5%, PKP Energetyka SA - partner and Schwebbau GmbH & Co.KG Bauunternehmen, for the execution of the works on the railway line No 7 Warszawa Wschodnia Osobowa – Dorohusk, along the section Warszawa-Otwork-Dęblin-Lublin Phase I – in the scope of a partial order B – execution of the modernisation on the railway line No 7 along the Otwork-Lublin section in km 55.600-km 107.283. The contract was signed on 29 May 2017.
17.03.2017	Trasa Łagiewnicka SA	652 194	Signature of the contract for the construction of Trasa Łagiewnicka in Kraków from the intersection of ul. Grota – Roweckiego to the intersection of ul. Beskidzka and ul. Halszki, along with the construction of the tram line section by the consortium of Budimex SA (the leader – the share of 95%) and Ferrovia Agroman SA (the partner with the share of 5%).
10.04.2017	Asbud Centrum Sp. z o.o.	185 061 (total value of 3 contracts)	Budimex SA concluded further contracts with Asbud Group companies within the past 12 months. The contracts concern construction of residential buildings at 28 Karolkowa street in Warsaw.
27.04.2017	Gmina Lublin	117 390 (total value of the contracts)	Budimex SA concluded further contracts with Lublin municipality. The highest-value contract was concluded on 15 February 2017 for the construction of a new course of the province road DW 809 in Lublin, amounting to PLN 71 129 thousand.
30.05.2017	TAMEH POLSKA Spółka z o.o.	125 680	Selection of the bid of Budimex SA as the most advantageous one in the tender for construction of a gas-fired generating unit for blast furnace gas and natural gas with a total electrical capacity of 55 MW. Stage 2. Construction of a steam turbine generator with balance of plant equipment at the ZW Kraków plant. The contract was signed on 13 July 2017.
31.05.2017	JSC "Vilniaus kogeneracine jėgainė"	178 291 thousand EUR (86 400)* thousand EUR	29 September 2016 consortium consisting of Budimex SA (partner of the consortium with 48.46% participation shares), Steinmüller Babcock Environment GmbH (leader of the consortium), and UAB Kauno dujotiekio statyba (partner of the consortium) concluded a contract JSC "Vilniaus kogeneracine jėgainė" for the construction of a new CHP plant in Vilnius — Lot 1. On 31 May 2017 the Employer notified them of issuing the Works Commencement Order.



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Date of the first current report	Customer	Contract value	Description
26.06.2017	LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k.	186 700 (total value of the contracts)	Budimex SA concluded another contract with subsidiaries of LC Corp SA. The contract related to general contracting on the 'Wola Retro' project, which encompasses an office and retail building with elements of land development, located in Warsaw, at ul. Skierniewicka/ Siedmiogrodzka. Remuneration of up to PLN 125 020 thousand (which includes a variable amount for execution of fit-out works with a maximum value of PLN 40 959 thousand).
3.07.2017	Generalna Dyrekcja Dróg Krajowych i Autostrad	278 158	Selection of the bid of Budimex SA as the most advantageous one in the tender for design and construction of S-61 express road Ostrów Mazowiecka–Szczuczyn, section: junction Stawiski (excluding the junction) – start of the Szczuczyn ring road, with length of approx. 18.002 km.
18.07.2017	LIDL Sp. z o.o. Sp.k.	146 436	Selection of the Budimex bid in the tender procedure for the construction of Lidl Mińsk Mazowiecki Distribution Centre. The contract was signed on 3 August 2017.
21.07.2017	Generalna Dyrekcja Dróg Krajowych i Autostrad	211 249	Selection of the bid of Budimex SA as the most advantageous one in the public procurement procedure involving construction of the S7 express road on the section: border of Mazowieckie /Świętokrzyskie provinces – road and rail junction in Skarżysko-Kamienna.
1.08.2017	XEOS Spółka z o.o.	120 599	Budimex SA signed a contract for the construction of aircraft engine service center in Środa Śląska.
3.08.2017	PKP Polskie Linie Kolejowe SA	596 721 (259 596)*	Selection of the bid from the consortium of Budimex SA – the partner of the consortium with the share of 50% and Torpol SA (consortium leader) as the most advantageous one in the tender for „Construction works in the tender No. 2 – Modernization of Trzebinia – Krzeszowice section (km 29,110 – 46,700 line No. 133)”. The value of the offer is PLN 596 721 thousand (including conditional remuneration of PLN 77 530 thousand).
18.08.2017	Generalna Dyrekcję Dróg Krajowych i Autostrad Oddział w Szczecinie	293 126	Selection of the bid from Budimex SA as the most advantageous one in the tender for the construction of Brzozów ring road as a part of S3 expressway and adaptation of the national road no. 3 to parameters of an expressway, section Brzozowo – Miękowo.
18.08.2017	Generalna Dyrekcję Dróg Krajowych i Autostrad Oddział w Szczecinie	102 663	Selection of the bid from Budimex SA as the most advantageous one in the tender for the adaptation of the national road no. 3 to parameters of an expressway, section Miękowo (end of the Miękowo ring road) – Rzęśnica (Rzęśnica junction).

\* share of the Budimex Group without conditional remuneration

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

In the first half-year of 2017 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 half-year report in relation to the projected results

Budimex SA did not publish any forecasts.



**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 I half-year of 2017**

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)	3 900 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 quarterly report for the year 2016, i.e. 27 April 2017.

**13. Proceedings pending as at 30 June 2017 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 June 2017 was PLN 334 682 thousand. Excess of the value of proceedings against Group companies over proceedings relating to claims of Group companies amounted to PLN 66 274 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 June 2017 was PLN 200 478 thousand. These proceedings involve the Group companies' operating activity.

The proceedings in the highest value case are pending before the Court of Arbitration at the Polish Chamber of Commerce in Warsaw, which involve the consortium members: Ferrovial Agroman SA, Budimex SA and Estudio Lamela S.L. (the FBL Consortium) and Przedsiębiorstwo Państwowe "Porty Lotnicze" (PPL). The litigation is 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 on 24 January 2008 by the FBL Consortium, in relation to bank guarantees realised by PPL groundlessly, 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 of 23 August 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 and PPL cannot submit now any further claims against the FBL Consortium regarding reimbursement of the amounts adjudicated in the partial judgment.

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. On 31 July and 26 October 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 August 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 does not exceed the total of PLN 119 556 thousand.

According to Budimex SA, all claims under the PPL's counter-suit are groundless. Consequently, on 21 October 2008, the FBL Consortium filed a response to the counter-claim, which contained a motion to dismiss the action in its entirety, and hence the statement on the groundlessness of PPL's claims. Until now, 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. The evidence from an expert opinion is the last to be considered with respect to this part of the dispute. This, however, may be done only after the Court has completed the hearing of evidence concerning filed claims. The findings presented in the expert opinion on the claims of the FBL Consortium will affect the scope of claims of PPL and, consequently, the scope of evidence taken in order to prove them.

Regardless of the PPL's counter-claim and in accordance with former announcements, on 27 February 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 amounts to PLN 86 583 thousand.

On 27 May 2010, the Court of Arbitration issued a decision under which the evidence from the expert's opinion evaluating reasonableness of the PPL claims was accepted (except for any amounts sought at that stage). The expert appointed by the Court of Arbitration, the BS Consulting Group, started to work at the end of 2010. There were several meetings with proxies of parties and the expert and there was an inspection of the airport objects with the participation of the aforementioned expert in March 2011. Technical opinion prepared by the expert, that was delivered to proxies of both parties on 29 July 2011, represented the result of his work. The parties submitted comments, remarks and detailed questions to the opinion prepared by the expert. Upon taking these into consideration, the expert prepared his final supplementary opinion at the end of March 2012. The assessment presented in the opinion was favourable to the FBL Consortium as it, among other things, confirmed that the FBL Consortium was entitled to postpone the work completion deadline.

Due to completion by the expert of work on the validity of PPL's claims, the Court ordered both parties to present final calculations of their claims, while taking into account the expert's views expressed in the opinion. As a result, PPL extended the claim as stated above to PLN 298 892 thousand, and the value of the FBL Consortium's claim remained unchanged.

Pursuant to a decision of the Court of Arbitration dated 28 January 2013 and based on a site inspection performed in July 2013, the expert, i.e. the BS Consulting Group, was to draft an opinion – an assessment of the value of claims submitted by the FBL Consortium in the extended claim by the end of October 2013. Due to the fact that the expert did not prepare this opinion to a set deadline, the Court of Arbitration, during the hearing on 20 December 2013, decided to appoint another court expert. In 2015, the final scope of the opinion was determined as well as the composition of a new team of experts. Consequently, only in October 2016 the parties received an opinion on the Consortium's claims prepared by the new team of experts. This opinion proves that the experts considered, in principle, all claims of the Consortium, which account for the majority of the amount of the claim. Nevertheless, in the opinion of the Consortium, the amount of claim recognised by experts is still underestimated because it does not account for all claims that were filed. At the beginning of August 2017 the experts handed over to the Panel of Arbitrators and the parties a further (third) supplementary opinion. In the opinion they generally upheld their conclusions - this opinion does not adversely affect the Consortium's claim. The next two dates for the hearings have been set for September, and their purpose will be to complement the hearing of the experts and to complete the process.

The Management Board is of the opinion that the final judgement of the Court of Arbitration will be favourable to the FBL Consortium.

On 16 December 2010, Tomasz Ryskalok and Rafał Ryskalok, conducting business activity as a civil law partnership under the name Cerrys S.C., with its registered office in Wykroty, filed a lawsuit against Budimex SA for payment of a contractual penalty for delay in the removal of defects identified during the warranty period. The lawsuit concerns the construction of a concrete plant in line with the agreement concluded on 19 May 2003 with the value of the agreement amounting to PLN 4 189 thousand. The initial value of the subject matter of litigation is PLN 90 000 thousand including statutory interest calculated from 19 October 2006 until the day of payment. In the opinion of Budimex SA, the claim constituting the subject matter of litigation was unfounded as there was no basis, either formal or factual, for considering it (the deadline for submitting the claims in question expired, the limit concerning contractual penalties - i.e. up to 15 per cent of the value of the agreement - had not been taken into account, and the defect was not material). The court heard the parties, on 19 December 2013, the Court issued a decision under which the evidence from the expert's opinion was accepted. In October 2014, the court delivered the opinion of the construction expert and a supplementary opinion was delivered to the parties in October 2016. On 17 November 2016, the claim was extended by the amount of PLN 57 266 thousand i.e. to the total amount of PLN 147 266 thousand. A response of Budimex SA was filed to the extended claim with the request for claim dismissal on the grounds of claim extension inadmissibility, unjustified claim demand and the expiry of the statute of limitations for the claim. At the hearing on 31 March 2017 the Court reached a verdict in which it entirely dismissed the claim and ordered to return the proceeding costs to Budimex SA. The verdict was legally invalid. The plaintiff appealed against the judgment of the District Court, challenging him only in respect of the dismissed action up to the amount of PLN 1 260 thousand. Therefore, the claim is legally dismissed above that amount, i.e. in the amount of PLN 146 006 thousand. On

3 July 2017, Budimex SA filed an answer to the appeal to the Court of Appeal. Currently, the parties are waiting for a date for the appeal hearing to be set.

Another material in value legal proceedings 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. The court ended examination of witnesses of both parties, then heard the parties, and on 6 February 2014 accepted the evidence from the construction expert opinion with regard, inter alia, to the assessment of quality and value of works completed by the defendant, the scope and completeness of works to be performed as well as the value of corrections. The expert drafted an opinion which the defendant considers to be in its favour. This assessment is confirmed by the actions of the claimant who submitted a request for appointment of a new expert. The court did not consider the request of the claimant in this matter and allowed to include in the court protocol only oral supplementary opinion of the expert, which was duly provided during the court hearing on 21 April 2015. The claimant filed another request for an opinion a new expert; which turned out to be the same as the first expert's opinion. On 12 July 2017 the court of first instance issued a judgment in which it ordered Budimex SA to pay only PLN 22 thousand (in return for the costs of the expert's investigations) and dismissed the claim entirely.

As at the date of this report the final outcome of the remaining proceedings is not known.

The total value of legal proceedings pending in respect of claims of Budimex SA and its subsidiaries amounted to PLN 134 204 thousand as at 30 June 2017. 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.

### 13. Contingent assets and contingent liabilities

	30 June 2017	31 December 2016
<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	512 409	475 101
– bills of exchange received as security	4 851	12 373
<b>From other entities, total</b>	<b>517 260</b>	<b>487 474</b>
<b>Other contingent assets</b>	<b>34 918</b>	<b>16 117</b>
<b>Total contingent assets</b>	<b>552 178</b>	<b>503 591</b>
<b><u>Contingent liabilities</u></b>		
<b>To related parties, of which:</b>		
– guarantees and sureties issued	2 827	5 037
– bills of exchange issued as performance bond	-	-
<b>To related parties, total</b>	<b>2 827</b>	<b>5 037</b>
<b>To other entities, of which:</b>		
– guarantees and sureties issued	3 311 844	3 028 156
– bills of exchange issued as performance bond	14 955	2 695
<b>To other entities, total</b>	<b>3 326 799</b>	<b>3 030 851</b>
<b>Other contingent liabilities</b>	<b>134 381</b>	<b>133 554</b>
<b>Total contingent liabilities</b>	<b>3 464 007</b>	<b>3 169 442</b>
<b>Total contingent items</b>	<b>(2 911 829)</b>	<b>(2 665 851)</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 bills of exchange 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 and investment liabilities of 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 June 2017:

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	149 887	2025-08-13	against payment	subsidiary
Budimex SA	Budimex Budownictwo Sp. z o.o.	64 950*	2026-08-20	free of charge	subsidiary
Budimex SA	Budimex Nieruchomości Sp. z o.o.	10 110	2020-02-17	against payment	subsidiary
Budimex SA	Budimex Parking Wrocław Sp. z o.o.	206	2017-08-31	free of charge	subsidiary
Budimex SA	Budimex Kolejnictwo SA	7 332	2025-07-31	against payment	subsidiary
Budimex SA	Budimex Bau GmbH	82	2017-12-31	free of charge	subsidiary
Budimex SA	FBSerwis SA	1 564	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>235 394</b>			

\*sureties were issued for contracts realized by Budimex SA

Dariusz Blocher	President of the Management Board	..... signature	Henryk Urbański	Member of the Management Board	..... signature
Fernando Luis Pascual Larragoiti	Vice-President of the Management Board	..... signature	Marcin Węglowski	Member of the Management Board	..... signature
Jacek Daniewski	Member of the Management Board	..... signature	Artur Popko	Member of the Management Board	..... signature
Cezary Mączka	Member of the Management Board	..... signature	Grzegorz Fąfara	Chief Accountant	..... signature
Radosław Górski	Member of the Management Board	..... signature			
					Warsaw, 28 August 2017

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