BUDIMEX SA

CONDENSED FINANCIAL STATEMENTS

for I half of 2017

prepared in accordance with
International Financial Reporting Standards

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(all amounts are expressed in PLN thousand)

Statement of financial position

ASSETS	30 June 2017	31 December 2016
Non-currents assets (long-term)		
Property, plant and equipment	95 596	92 668
Investment properties	3 477	3 762
Intangible assets	27 901	29 707
Investments in subsidiaries	726 891	724 473
Investments in associates	61 246	61 246
Investments in other entities	6 417	6 417
Other financial assets	68 505	16 537
Trade and other receivables	14 385	12 878
Retentions for construction contracts	47 119	39 835
Deferred tax asset	383 847	400 046
Total non-current assets (long-term)	**1 435 384**	**1 387 569**
Current assets		
Inventories	219 666	159 498
Trade and other receivables	578 054	462 329
Retentions for construction contracts	54 919	46 767
Amounts due and receivable from customers (investors) under construction contracts	726 508	290 016
Current tax receivable	1 051	-
Other financial assets	190 974	1 717
Cash and cash equivalents	902 659	2 272 110
Total current assets (short-term)	**2 673 831**	**3 232 437**
TOTAL ASSETS	**4 109 215**	**4 620 006**

Warsaw, 28 August 2017

(all amounts are expressed in PLN thousand)

Statement of financial position (cont.)

EQUITY AND LIABILITIES	30 June 2017	31 December 2016
Equity		
Shareholders' equity		
Issued capital	145 848	145 848
Share premium	80 199	80 199
Other reserves	54 001	54 001
Foreign exchange differences on translation of foreign operations	5 507	5 670
Retained earnings	216 941	382 856
Total shareholders' equity	**502 496**	**668 574**
Liabilities		
Long-term liabilities		
Loans, borrowings and other external sources of finance	30 450	29 374
Retentions for construction contracts	208 094	194 624
Provision for long-term liabilities and other charges	185 680	180 765
Long-term retirement benefits and similar obligations	5 348	5 348
Other financial liabilities	1 017	7
Total long-term liabilities	**430 589**	**410 118**
Short-term liabilities		
Loans, borrowings and other external sources of finance	21 060	18 463
Trade and other payables	1 309 563	1 397 654
Retentions for construction contracts	185 380	174 635
Amounts due and payable to customers (investors) under construction contracts	1 092 709	1 337 780
Deferred income	394 249	408 741
Provision for short-term liabilities and other charges	168 620	157 540
Current tax payable	-	45 272
Short-term retirement benefits and similar obligations	1 025	1 025
Other financial liabilities	3 524	204
Total short-term liabilities	**3 176 130**	**3 541 314**
Total liabilities	**3 606 719**	**3 951 432**
TOTAL EQUITY AND LIABILITIES	**4 109 215**	**4 620 006**

Warsaw, 28 August 2017

(all amounts are expressed in PLN thousand)

Income statement

	6-month period ended 30 June		3-month period ended 30 June	
	2017	**2016**	**2017**	**2016**
Continuing operations				
Net sales of finished goods, goods for resale, raw materials and services	2 494 133	2 267 289	1 553 616	1 383 888
Cost of finished goods, goods for resale, raw materials and services sold	(2 205 265)	(2 019 262)	(1 398 470)	(1 220 261)
Gross profit on sales	**288 868**	**248 027**	**155 146**	**163 627**
Selling expenses	(5 096)	(5 322)	(2 608)	(2 627)
Administrative expenses	(92 280)	(90 547)	(44 613)	(45 319)
Other operating income	20 608	25 780	8 536	5 959
Other operating expenses	(3 434)	(34 210)	2 504	(17 754)
Operating profit	**208 666**	**143 728**	**118 965**	**103 886**
Finance income	66 441	55 978	46 643	12 690
Finance costs	(17 742)	(16 623)	(8 270)	(8 311)
Profit before tax	**257 365**	**183 083**	**157 338**	**108 265**
Income tax	(40 584)	(29 695)	(23 057)	(20 208)
Net profit from continuing operations	**216 781**	**153 388**	**134 281**	**88 057**
Net profit for the period	**216 781**	**153 388**	**134 281**	**88 057**

Basic and diluted earnings per share attributable to the shareholders (in PLN)	*8.49*	*6.01*	*5.26*	*3.45*

Warsaw, 28 August 2017

(all amounts are expressed in PLN thousand)

Statement of comprehensive income

	6-month period ended 30 June		3-month period ended 30 June	
	2017	**2016**	**2017**	**2016**
Net profit for the period	**216 781**	**153 388**	**134 281**	**88 057**
Other comprehensive income for the period, which:				
Will be subsequently reclassified to profit or loss:				
Foreign exchange differences on translation of foreign branch	(163)	(8)	47	72
Deferred tax related to components of other comprehensive income	-	-	-	-
Will not be subsequently reclassified to profit or loss:				
Actuarial gains/(losses)	-	-	-	-
Income tax related to components of other comprehensive income	-	-	-	-
Other comprehensive income, net of tax	**(163)**	**(8)**	**47**	**72**
Total comprehensive income for the period	**216 618**	**153 380**	**134 328**	**88 129**

Warsaw, 28 August 2017

(all amounts are expressed in PLN thousand)

Statement of changes in equity

	Issued capital	Share premium	Other reserves	Foreign exchange differences on translation of foreign branch	Retained earnings	Total equity
Balance as at 1 January 2017	**145 848**	**80 199**	**54 001**	**5 670**	**382 856**	**668 574**
Profit for the period	-	-	-	-	216 781	**216 781**
Other comprehensive income	-	-	-	(163)	-	**(163)**
Total comprehensive income for the period	**-**	**-**	**-**	**(163)**	**216 781**	**216 618**
Dividend paid	-	-	-	-	(382 696)	**(382 696)**
Balance as at 30 June 2017	**145 848**	**80 199**	**54 001**	**5 507**	**216 941**	**502 496**

Warsaw, 28 August 2017

(all amounts are expressed in PLN thousand)

Statement of changes in equity (cont.)

	Issued capital	Share premium	Other reserves	Foreign exchange differences on translation of foreign branch	Retained earnings	Total equity
Balance as at 1 January 2016	**145 848**	**80 199**	**53 909**	**5 630**	**208 753**	**494 339**
Profit for the period	-	-	-	-	153 388	**153 388**
Other comprehensive income	-	-	-	(8)	-	**(8)**
Total comprehensive income for the period	**-**	**-**	**-**	**(8)**	**153 388**	**153 380**
Dividend paid	-	-	-	-	(207 815)	**(207 815)**
Share-based payment	-	-	(178)	-	-	**(178)**
Balance as at 30 June 2016	**145 848**	**80 199**	**53 731**	**5 622**	**154 326**	**439 726**
Profit for the period	-	-	-	-	228 528	**228 528**
Other comprehensive income	-	-	272	48	-	**320**
Total comprehensive income for the period	**-**	**-**	**272**	**48**	**228 528**	**228 848**
Other corrections-rounding	-	-	(2)	-	2	**0**
Balance as at 31 December 2016	**145 848**	**80 199**	**54 001**	**5 670**	**382 856**	**668 574**

Warsaw, 28 August 2017

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

Cash flow statement

	6-month period ended 30 June	
	2017	**2016**
CASH FLOW FROM OPRATING ACTIVITIES		
Net profit before tax	**257 365**	**183 083**
Adjustments:		
Depreciation/ amortization	15 921	11 243
Foreign exchange (gains)/ losses	97	117
Interest and shares in profits (dividends)	(52 889)	(36 477)
(Profit)/ loss on disposal of investments	(3 454)	(331)
Change in valuation of derivative financial instruments	(2 426)	1 219
Change in provisions and liabilities arising from retirement benefits and similar obligations	15 995	17 037
Other adjustments	236	(103)
Operating profit before changes in working capital	**230 845**	**175 788**
Change in receivables and retentions for construction contracts	(118 949)	(339 977)
Change in inventories	(60 168)	(44 095)
Change in retentions for construction contracts and in liabilities, except for loans and borrowings	(64 337)	192 953
Change in amounts due and receivable under construction contracts	(681 563)	(208 125)
Change in deferred income	(14 492)	(20 848)
Change in cash and cash equivalents of restricted use	2 596	(18 627)
Cash used /from operations	**(706 068)**	**(262 931)**
Income tax paid	(70 708)	(64 578)
NET CASH USED IN OPERATING ACTIVITIES	**(776 776)**	**(327 509)**
CASH FLOW FROM INVESTING ACTIVITIES		
Sale of intangible assets and tangible fixed assets	128	369
Purchase of intangible assets and tangible fixed assets	(8 587)	(12 310)
Sale of investment properties	3 547	-
Purchase of shares in related entities	(2 418)	(150)
Purchase of held-to-maturity financial assets	(178 486)	-
Dividend received	40 000	31 000
Loans granted	(55 346)	(6 860)
Interest received	152	1 703
NET CASH USED IN /FROM INVESTING ACTIVITIES	**(201 010)**	**13 752**
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	(382 696)	(207 815)
Payment of finance lease liabilities	(5 260)	(6 064)
Interest paid	(607)	(353)
NET CASH USED IN FINANCING ACTIVITIES	**(388 563)**	**(214 232)**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(1 366 349)**	**(527 989)**
Foreign exchange differences, net	(506)	221
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (note 2.3)	**2 239 546**	**1 935 366**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (note 2.3)	**872 691**	**1 407 598**

Warsaw, 28 August 2017

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 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 this report

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. Details of accounting policies adopted by the Company were described in the financial statements of the Company for the year ended 31 December 2016, published on 21 March 2017.

The financial statements and the comparative data contain aggregate data of the Company's German branch translated into Polish zloty and attributable to Budimex SA share in jointly controlled entities that constitute joint operations as per IFRS 11: Budimex SA Sygnity SA Sp. j., Budimex SA Ferrovial Agroman SA Sp. j., Budimex SA Ferrovial Agroman SA S.C., Budimex SA Budimex Budownictwo Sp. z o.o. S.C., Budimex SA Cadagua SA S.C. (dissolved in 2016), Budimex SA Cadagua SA II S.C., Budimex SA Tecnicas Reunidas SA-Turów S.C., Budimex SA Ferrovial Agroman (UK) Limited - Metro II Sp.j (dissolved in 2016), Budimex SA Energetyka 1 Sp. j., Budimex SA Energetyka 2 Sp. j., Budimex SA Energetyka 3 Sp. j., Budimex SA Ferrovial Agroman SA 2 S.C., Budimex SA Cadagua SA III S.C., Budimex SA Cadagua SA IV S.C., Budimex SA Cadagua SA V S.C.

Standards effective in the current period

The Company 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 and adequate changes in accounting principles and the method of preparation of financial statements are presented in paragraph 2.2 of the report.

Standards already published, but not yet effective

At the date of the authorization of the attached condensed financial statements, the Company did not apply the following Standard, which had been issued and authorized 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 Company has elected not to use the opportunity of early adoption of IFRS 9. The Company estimates that IFRS 9 would not have any material impact on the 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 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 Company 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 Interpretation would not have any material impact on the financial statements, had these 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 for the Company applied for the first time IFRS 15 "Revenue from Contracts with Customers" and Amendments to IFRS 15 – "Effective date of IFRS 15". The Company decided to apply the standard retrospectively with a total impact of the first application reported as at that day. According to the best estimations of the Company early application of IFRS 15 did not have any material impact on the previous years' financial statements. That is why as at 30 June 2017 no adjustment was made which would be presented in the retained earnings.

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 Company can identify each party's rights regarding the goods or services to be transferred,
- the Company can identify the payment terms for the goods or services to be transferred,
- the contract has commercial substance and
- it is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services to be transferred to the customer.

The Company combines 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 Company accounts 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 Company recognizes revenue when (or as) it satisfies 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. Revenue is recognized as amounts equal to the transaction price which was allocated to the performance obligation.

As the Company 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 Company 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 Company performance as the Company performs,
- the performance of the Company creates or enhances an asset that the customer controls as the asset is created or enhanced,
- the Company's performance does not create an asset with an alternative use to The Company and the Company has an enforceable right to payment for performance completed to date.

It is considered that in case of providing construction services by the Company 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 Company recognizes 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 recognized 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 Company 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).

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

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

Included in liabilities are "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 recognized under "Trade and other payables", while the amounts retained for suppliers - under "Retentions for construction contracts".

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

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 accrual concept, the Company 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").

Besides, 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 financial statements of the Company for the financial year 2016, published on 21 March 2017.

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 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 June2016
Cash recognised in the statement of financial position	**902 659**	**2 272 110**	**1 473 995**
Cash and cash equivalents of restricted use	(29 968)	(32 564)	(66 397)
Cash recognised in the statement of cash flow	**872 691**	**2 239 546**	**1 407 598**

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 2017 the excess of the current liabilities over the current assets amounted to PLN 502 299 thousand. Taking into consideration very good financial position of Budimex Group related to liquidity, of which the excess of current assets over current liabilities as at 30 June 2017 amounted to PLN 223 275 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.

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

3. Shareholders of the Parent Company

According to the information held by Budimex SA, the shareholding structure of Budimex SA as at the report date was as follows:

Shareholder	Type of shares	Number of shares	% of the issued capital	Number of votes	% of voting rights at the AGM
Valivala Holdings B.V. Amsterdam (the Netherlands) - Ferrovial SA 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%
Total		**25 530 098**	**100.00%**	**25 530 098**	**100.00%**

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%.

4. Descriptions of factors and events which had a material effect on the financial result of the Company for the first half of 2017

4.1. Business operation of the Company in the I half 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 period of six months of 2017 Budimex SA earned sales revenue in the amount of PLN 2 494 133 thousand (in the second quarter PLN 1 553 616 thousand), and in the comparative period of the year 2016 sales revenue amounted to PLN 2 267 289 thousand (in the second quarter PLN 1 383 888 thousand) giving the increase of 10.01%.

Gross profit on sales for the 6-month period of 2017 amounted to PLN 288 868 thousand and was by PLN 40 841 thousand (i.e. by 16.47%) higher than in the comparative period of the previous year.

Total amount of administrative and selling expenses in I half of 2017 was PLN 97 376 thousand, while in I half of 2016 amounted to PLN 95 869 thousand. The share of selling and administrative expenses in total sales was equal to 3.90% (in the first half of 2016 to 4.23%).

In I half of 2017, the result from the other operating activity, including financial result from derivative instruments, was positive and amounted to PLN 17 174 thousand. Other operating income comprised mainly: revenue from received penalties and compensations in the amount of PLN 8 510 thousand, profit from sale of investment properties and fixed assets in the amount of PLN 3 454 thousand, released provisions for penalties and legal proceedings in the amount of PLN 410 thousand and PLN 1 760 thousand accordingly, reversal of receivable and retention write-downs in the amount of PLN 2 316 thousand, overdue liabilities write-off in the amount of PLN 1 217 thousand and profit on valuation and realization of derivative instrument contracts of PLN 2 473 thousand. Other operating expenses comprised mainly: impairment write-downs against doubtful debts in the amount of PLN 1 237 thousand, penalties and compensation paid in the amount of PLN 1 096 thousand and PLN 509 thousand of made donations.

In comparison, in I half of 2016, the result from the other operating activity, including financial result from valuation and realization of derivative instruments, was negative and amounted to PLN 8 430 thousand. Other operating income comprised mainly: revenue from received penalties and compensations in the amount of PLN 13 492 thousand, released provisions for penalties and legal proceedings in the amount of PLN 5 510 thousand and PLN 2 611 thousand accordingly, reversal of receivable and inventory impairment write-downs in the amount of PLN 2 008 thousand and PLN 894 thousand accordingly. Other operating expenses comprised mainly: impairment write-downs against doubtful debts in the amount of PLN 12 391 thousand, provisions for contractual penalties and compensation payments of PLN 10 800 thousand, penalties and compensation paid in the amount of PLN 5 640 thousand and loss on valuation and realization of derivative instrument contracts of PLN 3 440 thousand.

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

All valued derivative instrument contracts were classified as level 2 in the fair value hierarchy. During the 6 months period 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 I half of 2017 the operating profit amounted to PLN 208 666 thousand and was higher by PLN 64 938 thousand (45.18%) compared to the comparative period of the year 2016. In I half of 2017, the operating margin was equal to 8.37%, while in the comparative period of 2016 was equal to 6.34%.

In I half of 2017, the result from financial activity was positive and amounted to PLN 48 699 thousand and in the comparative period of 2016 the result was lower by PLN 9 344 thousand. In I half of 2017 financial income, besides dividend income from related entities in the amount of PLN 51 686 thousand, comprised also interest of PLN 14 755 thousand. Interest income covers, among others, amount of PLN 1 154 thousand of interest from purchased in the first half of 2017, not listed, corporate bonds, issued by real estate banks and interest from loan granted mainly to related entities in the amount of PLN 686 thousand (additional information regarding loans granted to related parties are presented in paragraph 6. of condensed financial statements). Above mentioned bonds are presented in “other short-term financial assets” line in the statement of financial position in the amount of PLN 179 640 thousand and are classified as assets held- to -maturity. The fair value of the bonds is close to their carrying amount. Financial expenses in the I half of 2017 comprised mainly costs of bank guarantees and commissions in the amount of PLN 11 525 thousand, costs of long-term retention receivables and liabilities discounting of PLN 4 159 thousand, interest costs in the amount of PLN 1 315 thousand and exchange differences in the amount of PLN 726 thousand.

In comparison, in I half of 2016, the result from financial activity was positive and amounted to PLN 39 355 thousand mainly due to dividends received from related entities in the amount of PLN 36 564 thousand. Financial income, apart from dividend income, comprised also interest of PLN 18 518 thousand.Financial expenses comprised mainly costs of bank guarantees and commissions in the amount of PLN 11 652 thousand, costs of long-term retention receivables and liabilities discounting of PLN 4 185 thousand and interest costs in the amount of PLN 763 thousand.

Profit before tax for the period of 6-months of 2017 amounted to PLN 257 365 thousand and was by PLN 74 282 thousand higher (i.e. by 40.57%) higher than in the I half of 2016.

In the period of six months of 2017 the Company reported a net profit of PLN 216 781 thousand gaining a net profit margin of 8.69% while in the same period of 2016 net profit margin was equal to 6.77%.

In the first half of 2017, the Company purchased or started to lease property, plant and equipment, intangible assets with a total value of PLN 18 143 thousand, of which machinery and equipment accounted for PLN 12 258 thousand.

In comparison, in the first half of 2016, the Company purchased or started to lease property, plant and equipment, intangible assets and investment property with a total value of PLN 25 532 thousand, of which machinery and equipment accounted for PLN 16 739 thousand.

Liabilities arising from investment agreements in relation to fixed assets as of 30 June 2017 equaled PLN 63 184 thousand.

4.2. Revenue from sale of finished goods, services, goods for resale and raw materials by categories

In the first half of 2017 and 2016 the revenue from sale of finished goods, services, goods for resale and raw materials by type of product or service was as follows:

Product/service type	Sales of finished goods and services in the 6-month period ended:	
	30 June 2017	30 June 2016
Revenue from sale of construction and assembly services	2 479 883	2 249 400
Revenue from sale of other services	12 149	15 662
Revenue from sale of goods and materials	2 101	2 227
Total sales of finished goods, services goods for resale, raw materials	**2 494 133**	**2 267 289**

In the first half of 2017 and 2016 the revenue from sale of finished goods, services, goods for resale and raw materials from contracts with customers by geographic area was as follows:

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

Region	Sales of finished goods and services in the 6-month period ended:	
	30 June 2017	30 June 2016
Poland	2 404 436	2 190 240
Germany	86 302	77 049
Other EU countries	3 395	-
Total sales of finished goods, services, goods for resale, raw materials	**2 494 133**	**2 267 289**

In the first half of 2017 and 2016 the revenue from sale of finished goods, services, goods for resale and raw materials by type of construction was as follows:

Type of construction	Sales of finished goods and services in the 6-month period ended:	
	30 June 2017	30 June 2016
Civil engineering (infrastructure)	1 319 842	1 322 899
General construction, of which:	1 160 041	926 501
- non-residential	*762 352*	*600 433*
- residential	*397 689*	*326 068*
Other	14 250	17 889
Total sales of finished goods, services, goods for resale, raw materials	**2 494 133**	**2 267 289**

4.3. Changes of estimates

Provisions for onerous contracts

Provisions for onerous contracts refer mainly to provisions for expected construction contracts losses. In accordance with accounting policies adopted, the Company creates provisions for expected contract losses if budgeted contract costs exceed the entire expected contract revenue. Provisions for expected contract losses are presented in statement of financial position in "*Amounts due and payable to customers (investors) under construction contracts"* line. As at 30 June 2017, the balance of the provision for contract losses amounted to PLN 401 277 thousand, while as at 31 December 2016 amounted to PLN 400 146 thousand. Due to that, in the 6-month period of 2017 the balance of provision increased by PLN 1 131 thousand, while in the second quarter of 2017 increased by PLN 21 390 thousand.

Provision for legal proceedings

The Company recognizes provisions for legal proceedings when it is suited and the probability of an unfavorable court judgment is higher than the probability of a favorable one. An estimation of that result is made on the basis of analysis of a legal proceedings progress as well as lawyers' opinions. As at 30 June 2017, the balance of the provision in this respect amounted to PLN 21 800 thousand, while as at 31 December 2016 amounted to PLN 23 565 thousand. Due to that, in the 6-month period of 2017 the balance of provision decreased by PLN 1 765 thousand, in the second quarter of 2017 the amount did not change.

Provision for penalties and compensations

The Company recognizes provisions for penalties and compensations related to the realization of construction contracts. A provision is recognized only when the Company has a present obligation as a result of past event, the settlement of that obligation is highly probable and a reliable estimate can be made of the amount of the obligation. As at 30 June 2017, the balance of the provision in this respect amounted to PLN 49 506 thousand, while as at 31 December 2016 amounted to PLN 49 784 thousand. Due to that, in the 6-month period of 2017 the balance of provision decreased by PLN 278 thousand, however, in the second quarter of 2017 it increased by PLN 3 thousand.

Costs of future warranty repairs

The Company is required to issue guarantees for its construction services. It is accepted that the provision between 0.3%-1.4% of revenue from the given contract is made what depends on particular construction segment. This general value is assessed on an individual basis and may be increased or reduced, as appropriate. As at 30 June 2017, the balance of the provision in this respect amounted to PLN 282 994 thousand, while as at 31 December 2016 amounted to PLN 264 956 thousand. Due to that, in the 6-month period of 2017 the balance of provision increased by PLN 18 038 thousand, while in the second quarter of 2017 it increased by PLN 12 262 thousand.

Deferred tax asset and liability

As at 30 June 2017, the balance of deferred tax asset (reducing by deferred tax liability) amounted to PLN 383 847 thousand, while as at 31 December 2016 amounted to PLN 400 046 thousand. Due to that, in the 3-month period of 2017 the balance of deferred tax asset decreased by PLN 16 199 thousand, of which PLN 12 174 thousand was reported in the second quarter of 2017.

Impairment write-downs against receivables and retentions for constructions contracts

As at 30 June 2017, the balance of recognized impairment write-downs against receivables and retentions amounted to PLN 130 520 thousand, while as at 31 December 2016 amounted to PLN 132 039 thousand. In the 6-month period of 2017 the Company recognized impairment write-downs in the amount of PLN 1 237 thousand and reversed it increasing operating income in the amount of PLN 2 316 thousand and in the same time the Company utilized impairment write-downs in the mount of PLN 49 thousand and decreased it by PLN 391 thousand due to exchange differences. Only in the second quarter of 2017 the Company reversed receivables and retentions impairment write-downs in the amount of PLN 3 551 thousand and increased them by PLN 13 thousand of exchange differences.

Impairment write-downs against inventory

As at 30 June 2017 and 31 December 2016, the balance of recognised impairment write-downs against inventory amounted to PLN 2 493 thousand.

5. Proceedings pending as at 30 June 2017 before court, competent arbitration body or any public administration authority

As at 30 June 2017, the total value of the proceedings relating to the Company's liabilities and claims accordingly amounted to PLN 197 146 thousand and PLN 133 483 thousand, and as at 31 December 2016 accordingly PLN 882 289 thousand and PLN 151 336 thousand. The significant increase of proceedings with reference to Company's liabilities in the I half of 2017 results from abandonment of court proceeding, due to withdrawal by GDDKiA its claim filed on 7 December 2016 against a consortium in which Budimex – Dromex SA (a company merged in 2009 with Budimex SA) was a member (the "Consortium"), and in which GDDKiA claimed the amount of PLN 539 957 in relation to the public tender "Construction of a section of the S8 road Piotrków Trybunalski – Rawa Mazowiecka". This matter was wider described in the Company's financial statements for the year ended 31 December 2016.

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. To date, there have been 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 favorable 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 judgment of the Court of Arbitration will be favorable 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, an answer to the appeal was filed by Budimex SA 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 favor. 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 proceedings in respect of claims of Budimex SA 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.

6. Significant events during I half of 2017 and after 30 June 2017

On **1 February 2017**, the Extraordinary General Meeting of Shareholders of Budimex Autostrada SA (a subsidiary of Budimex SA) adopted a resolution on the liquidation of the company.

On **15 February 2017**, Budimex SA began shares acquisition process of Elektromontaż-Poznań SA from minority interests shareholders. During the period from 15 February 2017 till 30 June 2017 Budimex SA concluded 623 share purchase agreements and based on them acquired 282 484 ordinary registered shares of “A” series (constituting in total 5.22% share in issued capital of Elektromontaż-Poznań SA). The total purchase price for above mentioned shares amounted to PLN 2 418 thousand.

On **24 April 2017** the Company signed loan agreement under which Budimex Nieruchomości Sp. z o.o. (subsidiary of Budimex SA) was provided with the loan to the maximum amount of PLN 100 milion for financing developer projects. Pursuant to the agreement the loan will be paid in tranches and is to be repaid till 29 June 2018. The loan interest rate was determined as 1M WIBOR plus margin.

In the second quarter of 2017 two tranches of the loan were paid in the amount of PLN 1 600 thousand and PLN 4 200 thousand and after 30 June 2017 one tranche of PLN 700 thousand, giving total amount paid of PLN 6 500 thousand.

On **11 May 2017** the Ordinary General Meeting of Budimex SA adopted resolution on dividend payout. Pursuant to the resolution, net profit for the period from 1 January 2016 to 31 December 2016 in the amount of PLN 381 916 thousand and amount of PLN 780 thousand of previous periods profit, giving total amount of PLN 382 696 thousand, has been allocated to the dividend payout in the amount of PLN 14.99 gross per share. The dividend payout covered all Budimex SA shares, i.e. 25 530 098 shares. The dividend day was on 19 May 2017. The dividend was paid on 5 June 2017.

On **16 May** and on **6 July 2017** new tranches of the loan were provided by Budimex SA to FBSerwis SA (an associate of Budimex SA) in the amount of PLN 637 thousand and PLN 833 thousand accordingly, based on the loan agreement dated 4 January 2016. In accordance to that agreement the loan was granted by Budimex to FBSerwis SA in the amount up to PLN 13 720 thousand with the repayment date till 4 January 2021. The loan interest was agreed as 3-m WIBOR plus margin.

On **30 May 2017** the Company signed loan agreement under which Budimex SA provided loan facility to FBSerwis SA (an associate of Budimex SA) up to the amount of PLN 78 400 thousand. Pursuant to the agreement the loan will be paid in tranches and repaid till 26 May 2020. The loan interest rate was determined as 3-m WIBOR plus margin. On 31 May and 6 July 2017 tranches of the loan were paid in the amount of PLN 48 409 thousand and PLN 980 thousand.

On **26 June 2017** Budimex SA signed annex to civil law partnership agreement of company Budimex SA Tecnicas Reunidas SA – Turów SC that is special purpose vehicle company for construction project of a new power unit at Turów Power Plant. The share of Budimex SA in the partnership is 50% and current capital contribution equals PLN 2 500. Pursuant to the signed annex, each partner is obliged to make additional contribution payment up the amount of PLN 171 950 thousand. Contribution payments are to be made monthly if the last cash-flow forecast for the project would show cash deficit in the partnership company in the first month of the forecast. As at the report date the Company has already paid PLN 9 636 thousand of such contribution.

On **6 July 2017** tranche of the loan was provided by Budimex SA to FBSerwis SA in the amount of PLN 294 thousand based on the loan agreement dated 24 March 2015 (changed by annex dated 10 December 2015). In accordance to that agreement the loan was granted by Budimex to FBSerwis SA in the amount up to PLN 3 969 thousand with the repayment date till 24 March 2020. The loan interest was agreed as 3-m WIBOR plus margin.

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

7. Related party transactions

Transactions with related parties made in the first half of 2017 and in the first half 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
Subsidiary companies	92 927	66 033	22 813	27 723
Associates	142	341	166	118
Jointly controlled entities	2 925	1 920	791	660
Other related parties*	7	7	-	-
Total	**116 759**	**88 773**	**96 822**	**124 344**

	Loans granted		Loans taken out	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Parent Company and related parties (the Ferrovial Group)	-	-	8 785	9 165
Subsidiary companies	12 525	6 570	-	-
Associates	58 580	9 163	-	-
Total	**71 105**	**15 733**	**8 785**	**9 165**

	Sales of finished goods and services		Purchase of finished goods and services	
	6-month period ended 30 June		6-month period ended 30 June	
	2017	2016	2017	2016
Parent Company and related parties (the Ferrovial Group)	565	5 804	22 904	23 430
Subsidiary companies	165 895	151 277	42 164	20 031
Associates	558	323	330	-
Jointly controlled entities	455	329	1	150
Other related parties*	-	-	-	15
Total transactions with related parties	**167 473**	**157 733**	**65 399**	**43 626**

	Finance income		Finance costs	
	6-month period ended 30 June		6-month period ended 30 June	
	2017	2016	2017	2016
Parent Company and related parties (the Ferrovial Group)	-	-	29	36
Subsidiary companies	51 863	36 712	-	-
Associates	501	154	-	-
Total transactions with related parties	**52 364**	**36 866**	**29**	**36**

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

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

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

8. Contingent receivables and contingent liabilities

	30 June 2017	31 December 2016
Contingent receivables		
From related parties, of which:	**15 654**	**15 654**
– guarantees and suretyships received	-	-
– bills of exchange received as security	5 016	5 016
– other contingent receivables	10 638	10 638
From other entities	**483 391**	**463 093**
– guarantees and suretyships received	482 938	454 607
– bills of exchange received as security	453	8 486
Other contingent receivables	**34 918**	**16 117**
Total contingent receivables	**533 963**	**494 864**
Contingent liabilities		
To related parties, of which:	**234 131**	**109 011**
– guarantees and suretyships issued	234 131	109 011
To other entities, of which:	**3 084 818**	**2 896 580**
– guarantees and suretyships issued	3 071 466	2 895 488
– bills of exchange issued as performance bond	13 352	1 092
Other contingent liabilities	**134 381**	**133 554**
Total contingent liabilities	**3 453 330**	**3 139 145**
Total off-balance sheet items	**(2 919 367)**	**(2 644 281)**

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

Contingent liabilities represent guarantees and suretyships issued by banks to business partners of the Company as security for the potential claims they may be filed against the Company in respect of the construction contracts in progress. Banks are entitled to recourse the underlying claims to the Company. Guarantees issued to the Company'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 Company, while the bills of exchange received and recognized under contingent assets (receivables) represent security for the repayment by the Company's customers of the amounts due to the Company.

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 investment obligations and liabilities by Budimex SA under the acquisition agreement concerning shares of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o.

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 Węgłowski	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 financial statements originally issued in Polish. In case of any inconsistencies between the Polish and English version, the Polish version shall prevail.