



**THE BUDIMEX GROUP**

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**for III quarters of 2017**

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

## The BUDIMEX Group

The condensed consolidated financial statements for III quarters of 2017 prepared in accordance with International Financial Reporting Standards



*(all amounts are expressed in PLN thousand)*

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### Consolidated statement of financial position

<b>ASSETS</b>	<b>30 September 2017</b>	<b>31 December 2016</b>
<b>Non-currents (long-term) assets</b>		
Property, plant and equipment	140 700	114 674
Investment properties	24 782	25 581
Intangible assets	28 377	29 926
Goodwill of subordinated entities	73 237	73 237
Investments in equity accounted entities	40 692	43 427
Available-for-sale financial assets	9 396	9 396
Retentions for construction contracts	29 297	23 333
Trade and other receivables	36 785	36 256
Receivables from service concession agreement	46 352	46 096
Other financial assets	65 225	10 035
Deferred tax assets	430 257	444 975
<b>Total non-current (long-term) assets</b>	<b>925 100</b>	<b>856 936</b>
<b>Current (short-term) assets</b>		
Inventories	1 413 401	1 183 649
Trade and other receivables	765 754	516 720
Retentions for construction contracts	27 584	30 818
Amounts due and receivable from customers under construction contracts	821 921	288 456
Current tax assets	376	194
Other financial assets	232 371	1 758
Cash and cash equivalents	1 393 375	2 715 134
<b>Total current (short-term) assets</b>	<b>4 654 782</b>	<b>4 736 729</b>
<b>TOTAL ASSETS</b>	<b>5 579 882</b>	<b>5 593 665</b>

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

<b>EQUITY AND LIABILITIES</b>	<b>30 September 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	5 448	5 525
Retained earnings	513 164	558 116
<b>Total shareholders' equity attributable to the shareholders of the Parent</b>	<b>756 348</b>	<b>801 377</b>
<b>Equity attributable to non-controlling interests</b>	<b>669</b>	<b>4 443</b>
<b>Total equity</b>	<b>757 017</b>	<b>805 820</b>
<b>Liabilities</b>		
<b>Non-current (long-term) liabilities</b>		
Loans, borrowings and other external sources of finance	80 037	62 333
Retentions for construction contracts	208 668	206 147
Provision for long-term liabilities and other charges	244 478	210 303
Retirement benefits and similar obligations	7 937	7 937
Other financial liabilities	2 427	1 984
<b>Total non-current (long-term) liabilities</b>	<b>543 547</b>	<b>488 704</b>
<b>Current (short-term) liabilities</b>		
Loans, borrowings and other external sources of finance	27 263	20 276
Trade and other payables	1 602 228	1 520 870
Retentions for construction contracts	213 364	186 244
Amounts due and payable to customers under construction contracts	1 021 523	1 352 639
Deferred income	1 221 948	1 002 017
Provision for short-term liabilities and other charges	176 799	161 835
Current tax liability	11 922	52 820
Retirement benefits and similar obligations	1 422	1 422
Other financial liabilities	2 849	1 018
<b>Total current (short-term) liabilities</b>	<b>4 279 318</b>	<b>4 299 141</b>
<b>Total liabilities</b>	<b>4 822 865</b>	<b>4 787 845</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>5 579 882</b>	<b>5 593 665</b>

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(all amounts are expressed in PLN thousand)

### Consolidated income statement

	9-month period ended 30 September		3-month period ended 30 September	
	2017	2016	2017	2016
<b>Continuing operations</b>				
Net sales of finished goods, goods for resale, raw materials and services	4 553 359	4 119 008	1 831 587	1 689 308
Cost of finished goods, goods for resale, raw materials and services sold	(3 971 496)	(3 623 592)	(1 601 818)	(1 494 166)
<b>Gross profit on sales</b>	<b>581 863</b>	<b>495 416</b>	<b>229 769</b>	<b>195 142</b>
Selling expenses	(24 516)	(22 898)	(8 213)	(8 151)
Administrative expenses	(153 488)	(148 480)	(51 166)	(49 219)
Other operating income	37 529	32 918	17 114	6 012
Other operating expenses	(15 096)	(47 933)	(10 366)	(13 031)
<b>Operating profit</b>	<b>426 292</b>	<b>309 023</b>	<b>177 138</b>	<b>130 753</b>
Finance income	26 878	31 801	8 223	8 127
Finance costs	(29 932)	(26 545)	(9 462)	(8 069)
Share in net profits/ (losses) of equity accounted subordinates	(2 735)	(781)	915	(257)
<b>Gross profit</b>	<b>420 503</b>	<b>313 498</b>	<b>176 814</b>	<b>130 554</b>
Income tax	(83 293)	(61 905)	(34 385)	(25 479)
<b>Net profit from continuing operations</b>	<b>337 210</b>	<b>251 593</b>	<b>142 429</b>	<b>105 075</b>
<b>Net profit for the period</b>	<b>337 210</b>	<b>251 593</b>	<b>142 429</b>	<b>105 075</b>
<i>of which:</i>				
<b>Attributable to the shareholders of the Parent</b>	<b>337 039</b>	<b>251 091</b>	<b>142 401</b>	<b>105 024</b>
<i>Attributable to non-controlling interests</i>	<i>171</i>	<i>502</i>	<i>28</i>	<i>51</i>
<hr/>				
<i>Basic and diluted earnings per share attributable to the shareholders of the Parent (in PLN)</i>	<i>13.20</i>	<i>9.84</i>	<i>5.58</i>	<i>4.11</i>

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### **Consolidated statement of comprehensive income**

	9-month period ended 30 September		3-month period ended 30 September	
	2017	2016	2017	2016
<b>Net profit for the period</b>	<b>337 210</b>	<b>251 593</b>	<b>142 429</b>	<b>105 075</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	(77)	(220)	212	(257)
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>(77)</b>	<b>(220)</b>	<b>212</b>	<b>(257)</b>
<b>Total comprehensive income for the period</b>	<b>337 133</b>	<b>251 373</b>	<b>142 641</b>	<b>104 818</b>
<i>Of which:</i>				
<b>Attributable to the shareholders of the Parent</b>	<b>336 962</b>	<b>250 871</b>	<b>142 613</b>	<b>104 767</b>
<i>Attributable to non-controlling interests</i>	<i>171</i>	<i>502</i>	<i>28</i>	<i>51</i>

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### Consolidated statement of changes in equity

	Equity attributable to the shareholders of the Parent						Total	Non-controlling interests	Total equity
	Issued capital	Share premium	Other reserves		Foreign exchange differences on translation of foreign operations	Retained earnings			
			Share-based payments	Actuarial gains/(losses)					
<b>Balance as at 1 January 2017</b>	<b>145 848</b>	<b>87 163</b>	<b>7 171</b>	<b>(2 446)</b>	<b>5 525</b>	<b>558 116</b>	<b>801 377</b>	<b>4 443</b>	<b>805 820</b>
Profit for the period	-	-	-	-	-	337 039	337 039	171	337 210
Other comprehensive income	-	-	-	-	(77)	-	(77)	-	(77)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(77)</b>	<b>337 039</b>	<b>336 962</b>	<b>171</b>	<b>337 133</b>
Dividends	-	-	-	-	-	(382 696)	(382 696)	-	(382 696)
Increase in share in subsidiaries	-	-	-	-	-	705	705	(3 945)	(3 240)
<b>Balance as at 30 September 2017</b>	<b>145 848</b>	<b>87 163</b>	<b>7 171</b>	<b>(2 446)</b>	<b>5 448</b>	<b>513 164</b>	<b>756 348</b>	<b>669</b>	<b>757 017</b>

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

	Equity attributable to the shareholders of the Parent Company						Total	Non-controlling interests	Total equity
	Issued capital	Share premium	Other reserves		Foreign exchange differences on translation of foreign operations	Retained earnings			
			Share-based payments	Actuarial gains/(losses)					
<b>Balance as at 1 January 2016</b>	<b>145 848</b>	<b>87 163</b>	<b>7 349</b>	<b>(2 548)</b>	<b>5 425</b>	<b>355 969</b>	<b>599 206</b>	<b>3 918</b>	<b>603 124</b>
Profit for the period	-	-	-	-	-	251 091	251 091	502	251 593
Other comprehensive income	-	-	-	-	(220)	-	(220)	-	(220)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(220)</b>	<b>251 091</b>	<b>250 871</b>	<b>502</b>	<b>251 373</b>
Dividends	-	-	-	-	-	(207 815)	(207 815)	-	(207 815)
Share-based payment	-	-	(178)	-	-	-	(178)	-	(178)
<b>Balance as at 30 September 2016</b>	<b>145 848</b>	<b>87 163</b>	<b>7 171</b>	<b>(2 548)</b>	<b>5 205</b>	<b>399 245</b>	<b>642 084</b>	<b>4 420</b>	<b>646 504</b>
Profit for the period	-	-	-	-	-	158 760	158 760	123	158 883
Other comprehensive income	-	-	-	102	320	-	422	11	433
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>102</b>	<b>320</b>	<b>158 760</b>	<b>159 182</b>	<b>134</b>	<b>159 316</b>
Non-controlling interest adjustment	-	-	-	-	-	111	111	(111)	-
<b>Balance as at 31 December 2016</b>	<b>145 848</b>	<b>87 163</b>	<b>7 171</b>	<b>(2 446)</b>	<b>5 525</b>	<b>558 116</b>	<b>801 377</b>	<b>4 443</b>	<b>805 820</b>

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### Consolidated statement of cash flows

	9-month period ended 30 September	
	2017	2016
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Net profit before tax</b>	<b>420 503</b>	<b>313 498</b>
<b>Adjustments for:</b>		
Depreciation/ amortization	26 718	18 855
Share in net losses of equity accounted companies	2 735	781
Foreign exchange (gains)/ losses	(400)	(109)
Interest and shares in profits (dividends)	(1 575)	1 109
(Profit)/ loss on investing activities	(2 800)	1 849
Change in valuation of derivative financial instruments	(2 379)	466
Change in provisions and liabilities arising from retirement benefits and similar obligations	49 139	66 693
Other adjustments	673	(107)
<b>Operating profit before changes in working capital</b>	<b>492 614</b>	<b>403 035</b>
Change in receivables and retentions for construction contracts	(252 045)	(215 220)
Change in inventories	(229 752)	(187 837)
Change in retentions for construction contracts and in liabilities, except for loans and borrowings	109 376	351 960
Change in deferred income	219 931	84 743
Change in amounts due and receivable under construction contracts	(864 581)	(234 661)
Change in cash and cash equivalents of restricted use	110 952	3 196
<b>Cash flow from /used in operating activities</b>	<b>(413 505)</b>	<b>205 216</b>
Income tax paid	(109 325)	(100 469)
<b>NET CASH FROM/USED IN OPERATING ACTIVITIES</b>	<b>(522 830)</b>	<b>104 747</b>

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

	<b>9-month period ended 30 September</b>	
	<b>2017</b>	<b>2016</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of intangible assets and property, plant and equipment	2 828	432
Proceeds from sale of investment property	2 803	-
Purchase of intangible assets and property, plant and equipment	(17 002)	(25 182)
Purchase of shares of consolidated subsidiaries	(3 240)	-
Share capital increase in non-consolidated subsidiaries	-	(150)
Purchase of held-to-maturity financial assets	(437 160)	-
Proceeds from held-to-maturity financial assets	208 632	-
Loans granted	(51 653)	(6 860)
Interest received	1 498	1 879
Dividends received	-	7
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(293 294)</b>	<b>(29 874)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of loans and borrowings	(769)	(675)
Dividends paid	(382 696)	(207 815)
Repayment of finance lease liabilities	(8 978)	(8 918)
Interest paid	(1 921)	(1 394)
Other finance expenditure	(482)	(490)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(394 846)</b>	<b>(219 292)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(1 210 970)</b>	<b>(144 419)</b>
Foreign exchange differences, net	163	212
<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>1 313 226</b>	<b>2 039 870</b>

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### 1. Organization of the Budimex Group and changes in the Group structure

#### 1.1. The Parent Company

The parent company of the Budimex Group is Budimex SA (the „Parent Company”) with its registered office in Warsaw, ul. Stawki 40, entered in the Register of Entrepreneurs kept by the District Court for the capital city of Warsaw, XII Economic Department of the National Court Register under KRS No. KRS 0000001764. The main area of business of Budimex SA is building, rendering of management and advisory services for the Budimex Group companies.

The main areas of the business activities of the Group are widely understood construction-assembly services realized in the system of general execution at home and abroad, developer activities, property management, and limited scope trading, production, transport and other business. Budimex SA serves in the Group as an advisory, management and financial centre. Realization of these three functions is to facilitate:

- efficient flow of information within Group structures,
- strengthening the efficiency of cash and financial management of individual Group companies,
- strengthening market position of the entire Group.

#### 1.2. Entities subject to consolidation

As at 30 September 2017, 31 December 2016 and 30 September 2016 the following subsidiaries were subject to consolidation:

Company name	Registered office	% in the share capital as at		
		30 September 2017	31 December 2016	30 September 2016
Mostostal Kraków SA	Cracow / Poland	100.00%	100.00%	100.00%
Mostostal Kraków Energetyka Sp. z o.o.	Cracow / Poland	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	98.95%	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%

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Joint operation	share
Budimex SA Cadagua SA II s.c.	50.00%
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 September 2017, 31 December 2016 and 30 September 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 9-month period ended 30 September 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 within 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 another 77 043 shares of Elektromontaż Poznań SA, which equaled 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 value of net assets of Elektromontaż Poznań SA acquired by Budimex SA amounted to PLN 865 thousand. The difference between the price and the share in the net assets amounting to PLN 43 thousand was presented in retained earnings. On 31 August 2017 Budimex SA repurchased the shares from Budimex Budownictwo Sp. z o.o. for PLN 831 thousand – the transaction did not have any impact on the condensed consolidated financial statements.

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 started to be consolidated 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 25 October 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>

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The shareholders' structure did not change compared to the data presented in the half-year condensed consolidated financial statements published on 31 August 2017.

### **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 half-year condensed consolidated financial statements of the Budimex Group.

#### ***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 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 9 „Financial instruments” – *Prepayment features with negative compensation* (effective for annual periods beginning on or after 1 January 2019),
- 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),

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- 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 IAS 28 “Investments in associates and joint ventures” - *Long-term interests in associates and joint ventures* (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IAS 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 the Budimex Group applied 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 1 January 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 were included in the half-year condensed consolidated financial statements of the Group published on 31 August 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 September 2017	31 December 2016	30 September 2016
<b>Cash recognised in the statement of financial position</b>	<b>1 393 375</b>	<b>2 715 134</b>	<b>2 265 723</b>
Cash and cash equivalents of restricted use	(80 149)	(191 101)	(225 853)
<b>Cash recognised in the statement of cash flow</b>	<b>1 313 226</b>	<b>2 524 033</b>	<b>2 039 870</b>

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### **4. Descriptions of factors and events which had a material effect on the financial result of the Budimex Group for the three quarters 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 9-month period ended 30 September 2017, the Budimex Group earned sales revenue of PLN 4 553 359 thousand which means a 10.55% increase on the corresponding period of 2016. Sales revenue of the Budimex Group for the third quarter of 2017 only amounted to PLN 1 831 587 thousand and was PLN 778 847 thousand higher (73.98%) than in the first quarter and PLN 162 555 thousand (9.74%) higher than the sales revenue in the second quarter of 2017. Compared to the corresponding period of the previous year the sales revenue in the third quarter of the current year was PLN 142 279 thousand higher (8.42%).

In the 9-month period ended 30 September 2017 construction-assembly production in Poland expressed in current prices increased by 13.4% (an increase by 13.0% 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 6.66% on the corresponding period.

Gross profit on sales in the 9-month period ended 30 September 2017 was PLN 581 863 thousand, while in the corresponding period of the prior year it amounted to PLN 495 416 thousand. The gross sales profitability ratio was therefore 12.78% for three quarters of 2017, while in the corresponding period of the previous year the ratio was 12.03%. On the other hand the gross profitability ratio was 12.54% in the third quarter of 2017 compared to 11.55% in the corresponding period of 2016.

In the 9-month period ended 30 September 2017 gross profit on sales in the construction segment amounted to PLN 489 181 thousand and was higher by PLN 48 490 thousand compared to the corresponding period of the prior year and gross sales profitability ratio of construction segment for the 9-month period ended 30 September 2017 was 11.34% (10.95% in the corresponding period of 2016). In turn, gross profit on sales in the developer segment in the 9-month period ended 30 September 2017 was PLN 78 228 thousand, while in the corresponding period of the prior year it amounted to PLN 51 517 thousand. Gross sales profitability ratio of the developer segment decreased from 24.65% in the 9-month period ended 30 September 2016 to 20.37% in the corresponding period of the current year.

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 September 2017, the balance of the provision for contract losses amounted to PLN 334 794 thousand. In the 9-month period ended 30 September 2017, the balance of provision for contract losses decreased by PLN 73 661 thousand, while only in the third quarter of 2017 the balance of provision for contract losses decreased by PLN 72 483 thousand.

The Budimex Group companies are required to issue a warranty for the construction services rendered. As at 30 September 2017 the provision for warranty amounted to PLN 329 601 thousand. In the 9-month period ended 30 September 2017 the balance of the provision for warranty increased by PLN 50 894 thousand, while in the third quarter of 2017 the increase was equal to PLN 30 945 thousand.

Selling expenses increased in the 9-month period ended 30 September 2017 by PLN 1 618 thousand compared to the corresponding period of the prior year, while administrative expenses were PLN 5 008 thousand higher than expenses incurred in the corresponding period of 2016. The share of selling and administrative expenses in total sales decreased from 4.16% for the period of 9 months of 2016 down to 3.91% in the current period.

Other operating income for the 9-month period ended 30 September 2017 was PLN 37 529 thousand (PLN 32 918 thousand for the three quarters of 2016) and comprised: income from compensations and contractual penalties received in the amount of PLN 18 280 thousand (of which PLN 9 663 thousand in the third quarter), income from reversal of provisions for claims amounted to PLN 4 191 thousand (of which PLN 3 750 thousand in the third quarter), income from reversal of provisions for legal proceedings in the amount of PLN 2 583 thousand (of which PLN 0 thousand in the third quarter) and income from the reversal of the impairment write-downs against receivables in the amount of PLN 3 800 thousand (of which PLN 1 297 thousand in the third quarter). The gain on valuation of FX forward and FX option derivative instrument contracts (made with a view to limiting the FX risk on foreign currency

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construction contracts) amounted to PLN 2 585 thousand (of which the gain in the amount of PLN 52 thousand in the third quarter). Additionally, in the period of three quarters of 2017 Group companies disposed of tangible fixed assets and investment property and earned profit on sale of PLN 3 344 thousand (of which PLN 2 554 thousand in the third quarter), including a loss on liquidation of fixed assets of PLN 602 thousand. The net book value of the tangible fixed assets and investment property sold in the period of three quarters of 2017 was PLN 1 685 thousand (PLN 106 thousand in the third quarter).

Other operating expenses for the 9-month period ended 30 September 2017 amounted to PLN 15 096 thousand (PLN 47 933 thousand for the corresponding period of the prior year), of which PLN 5 457 thousand related to the value of compensations and contractual penalties paid (of which PLN 4 322 thousand in the third quarter) and PLN 3 122 thousand – the costs of created provisions for legal proceedings (of which PLN 3 122 thousand in the third quarter). The costs of created provisions for penalties amounted to PLN 1 501 thousand (of which PLN 1 369 thousand in the third quarter). The created impairment write-downs against receivables was PLN 2 047 thousand (of which PLN 709 thousand in the third quarter). The loss on realization of FX forward and FX option derivative instrument contracts amounted to PLN 900 thousand (of which PLN 1 363 thousand in the third quarter).

The reported operating profit of the Group in the period of three quarters of 2017 was PLN 426 292 thousand, while in the period of three quarters of 2016 it was PLN 309 023 thousand (an increase by 37.95%). The operating profit for the third quarter of 2017 represented 9.67% of sales revenue value, while for the corresponding period of the prior year it constituted 7.74% of sales revenue.

In the 9-month period ended 30 September 2017 the Group incurred a loss on financing activities in the amount of PLN 3 054 thousand, while in the same period of the prior year it reported a profit in the amount of PLN 5 256 thousand. Finance income for three quarters of 2017 amounted to PLN 26 878 thousand and represented: interest of PLN 24 359 thousand (of which PLN 7 367 thousand gained in the third quarter only), reversal of discounting of long-term receivables in the amount of PLN 286 thousand (of which PLN 86 thousand in the third quarter) and valuation of concession receivables amounting to PLN 2 196 thousand (of which PLN 733 thousand in the third quarter).

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

All valued derivative instrument contracts (presented both in the operating and financing activity) were classified as level 2 in the fair value hierarchy. During the 9 months ended 30 September 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 period of 9 months ended 30 September 2017, the Group reported a gross profit of PLN 420 503 thousand, while in the corresponding period of the prior year – a gross profit of PLN 313 498 thousand (an increase of 34.13%).

Income tax for the 9-month period ended 30 September 2017 was PLN 83 293 thousand (PLN 61 905 thousand for three quarters of 2016), of which:

- current tax was PLN 68 562 thousand,
- deferred tax in the amount of PLN 14 731 thousand.

As at 30 September 2017, the Group recognized a deferred tax asset in the amount of PLN 430 257 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 three quarters of 2017 was PLN 337 039 thousand, while the net profit attributable to the shareholders of the Budimex SA for the corresponding period of 2016 was PLN 251 091 thousand (an increase of 34.23%).

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The net profit attributable to non-controlling interest for three quarters of 2017 amounted to PLN 171 thousand, while the net profit attributable to non-controlling interest for the third quarter only amounted to PLN 28 thousand. In the corresponding periods of 2016, the net profit attributable to non-controlling interest was equal to PLN 502 thousand and PLN 51 thousand, respectively.

In the 9-month period of 2017 the Group reversed write-offs for inventory in the amount of PLN 10 848 thousand (in the corresponding period of 2016 – PLN 3 425 thousand). The reversal in the period of 9 months of 2017 decreased the costs of finished goods, goods for resale, raw materials and services sold. At the same time the Group did not create any new write-offs for inventory.

Another transaction of significant value during the first 9 months of 2017 was the purchase of short-term bonds of some Polish mortgage banks amounting to PLN 437 160 thousand. Some of the bonds purchased has been already settled. 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 9-month period ended 30 September 2017, the Group purchased and started to lease property, plant and equipment and intangible assets with a total value of PLN 52 457 thousand (in the third quarter of 2017 – PLN 32 145 thousand), of which plant and machinery accounted for PLN 35 643 thousand (in the third quarter of 2017 – PLN 21 950 thousand).

The contractual obligations made by the Group for the purchase of property, plant and equipment amounted to PLN 69 963 thousand as at 30 September 2017.

## 5. Operating segments

For the management purposes the Group has been divided into segments based on the products and services offered. The Group operates in the following two operating segments:

- construction business
- developer and property management business.

Construction business covers rendering of widely understood construction-assembly services at home and abroad and is realised by the following Group companies:

- Budimex SA
- Mostostal Kraków SA
- Mostostal Kraków Energetyka Sp. z o.o.
- Budimex Bau GmbH
- Budimex Budownictwo Sp. z o.o.
- Budimex Kolejnictwo SA

Developer and property management segment covers preparation of land for investment projects, realization of investment projects in the field of housing construction industry, flat disposal and rental and servicing property on own account. The following Group entities were included in this segment:

- Budimex Nieruchomości Sp. z o.o.
- SPV-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.

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The results of segments for the three quarters 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	4 080 680	383 576	89 103	-	4 553 359
Inter-segment sales	233 345	523	30 575	(264 443)	-
<b>Total sales of finished goods, goods for resale and raw materials</b>	<b>4 314 025</b>	<b>384 099</b>	<b>119 678</b>	<b>(264 443)</b>	<b>4 553 359</b>
<b>Gross profit</b>	<b>489 181</b>	<b>78 228</b>	<b>15 982</b>	<b>(1 528)</b>	<b>581 863</b>
Selling expenses	(7 495)	(13 186)	(3 850)	15	(24 516)
Administrative expenses	(142 574)	(16 079)	(4 096)	9 261	(153 488)
Other operating income/(costs), net	19 076	5 856	545	(3 044)	22 433
<b>Operating profit</b>	<b>358 188</b>	<b>54 819</b>	<b>8 581</b>	<b>4 704</b>	<b>426 292</b>
Finance income/(costs), net	(5 840)	2 074	812	(100)	(3 054)
Shares in losses of equity accounted subordinates	-	-	(2 735)	-	(2 735)
Income tax expense	(69 696)	(11 006)	(1 720)	(871)	(83 293)
<b>Net profit for the period</b>	<b>282 652</b>	<b>45 887</b>	<b>4 938</b>	<b>3 733</b>	<b>337 210</b>

The results of segments for the three quarters 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	3 792 521	208 197	118 290	-	4 119 008
Inter-segment sales	233 719	805	6 260	(240 784)	-
<b>Total sales of finished goods, goods for resale and raw materials</b>	<b>4 026 240</b>	<b>209 002</b>	<b>124 550</b>	<b>(240 784)</b>	<b>4 119 008</b>
<b>Gross profit</b>	<b>440 691</b>	<b>51 517</b>	<b>16 884</b>	<b>(13 676)</b>	<b>495 416</b>
Selling expenses	(8 098)	(11 200)	(3 642)	42	(22 898)
Administrative expenses	(137 992)	(12 488)	(4 086)	6 086	(148 480)
Other operating income/(costs), net	(15 800)	78	707	-	(15 015)
<b>Operating profit</b>	<b>278 801</b>	<b>27 907</b>	<b>9 863</b>	<b>(7 548)</b>	<b>309 023</b>
Finance income, net	1 486	3 338	432	-	5 256
Shares in losses of equity accounted subordinates	(6)	-	(775)	-	(781)
Income tax expense	(55 565)	(5 962)	(1 810)	1 432	(61 905)
<b>Net profit for the period</b>	<b>224 716</b>	<b>25 283</b>	<b>7 710</b>	<b>(6 116)</b>	<b>251 593</b>

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### 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 period of 9 months ended 30 September 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	4 231 785	346	110 228	(255 119)	<b>4 087 240</b>
Revenue from sale of other services	19 201	3 024	6 801	(9 324)	<b>19 702</b>
Revenue from sale of finished goods	59 628	380 729	2 570	-	<b>442 927</b>
Revenue from sale of goods for resale and raw materials	3 411	-	79	-	<b>3 490</b>
<b>Total sales of finished goods, goods for resale and raw materials</b>	<b>4 314 025</b>	<b>384 099</b>	<b>119 678</b>	<b>(264 443)</b>	<b>4 553 359</b>

In the period of 9 months ended 30 September 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	3 982 448	-	116 320	(234 559)	<b>3 864 209</b>
Revenue from sale of other services	20 914	2 776	6 804	(6 225)	<b>24 269</b>
Revenue from sale of finished goods	19 815	206 172	1 254	-	<b>227 241</b>
Revenue from sale of goods for resale and raw materials	3 063	54	172	-	<b>3 289</b>
<b>Total sales of finished goods, goods for resale and raw materials</b>	<b>4 026 240</b>	<b>209 002</b>	<b>124 550</b>	<b>(240 784)</b>	<b>4 119 008</b>

#### 6.2. Revenue by geographic area

In the period of 9 months ended 30 September 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	4 138 565	384 099	116 966	(264 443)	<b>4 375 187</b>
Germany	154 566	-	-	-	<b>154 566</b>
Other EU countries	18 620	-	-	-	<b>18 620</b>
Other countries*	2 274	-	2 712	-	<b>4 986</b>
<b>Total sales of finished goods, goods for resale and raw materials</b>	<b>4 314 025</b>	<b>384 099</b>	<b>119 678</b>	<b>(264 443)</b>	<b>4 553 359</b>

\*other countries include Ukraine and Russia

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In the period of 9 months ended 30 September 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	3 880 152	209 002	123 803	(240 784)	<b>3 972 173</b>
Germany	138 610	-	14	-	<b>138 624</b>
Other EU countries	2 126	-	-	-	<b>2 126</b>
Other countries*	5 352	-	733	-	<b>6 085</b>
<b>Total sales of finished goods, goods for resale and raw materials</b>	<b>4 026 240</b>	<b>209 002</b>	<b>124 550</b>	<b>(240 784)</b>	<b>4 119 008</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 period of 9 months ended 30 September 2017 and the period of 9 months ended 30 September 2016 were as follows:

Type of construction	Total sales of finished goods, goods for resale and raw materials for a 9-month period ended:	
	30 September 2017	30 September 2016
Civil engineering (infrastructure)	2 324 841	2 432 871
General construction, of which:	1 989 184	1 593 369
- non-residential	1 396 906	1 093 172
- residential	592 278	500 197
<b>Total sales of finished goods, goods for resale and raw materials – segment „Construction business”</b>	<b>4 314 025</b>	<b>4 026 240</b>

## 7. Related party transactions

Transactions with related parties made in the period of 9 months ended 30 September 2017 and in period of 9 months ended 30 September 2016 and unsettled balances of receivables and liabilities as at 30 September 2017 and 31 December 2016 are presented in the tables below:

	Receivables		Liabilities	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
Parent Company and related parties (the Ferrovial Group)	20 541	20 472	72 327	95 843
Jointly-controlled entities	18 518	8 890	789	665
Associates	192	357	1 554	1 537
Other related entities – non-consolidated subsidiaries*	24	-	623	623
Other related entities – other*	8	7	-	-
Other related entities – through key personnel*	-	-	-	-
<b>Total settlements with related parties</b>	<b>39 283</b>	<b>29 726</b>	<b>75 293</b>	<b>98 668</b>

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	Loans granted / acquired debt securities		Loans taken out / issued debt securities	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
Parent Company and related parties (the Ferrovial Group)	-	-	8 972	9 165
Jointly-controlled entities	-	-	-	-
Associates	61 557	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>61 557</b>	<b>9 163</b>	<b>8 972</b>	<b>9 165</b>

	Sales of finished goods and services		Purchase of finished goods and services	
	9-month period ended 30 September		9-month period ended 30 September	
	2017	2016	2017	2016
Parent Company and related parties (the Ferrovial Group)	819	6 939	(33 087)	(31 925)
Jointly-controlled entities	39 992	508	-	-
Associates	819	527	(5 190)	(4 857)
Other related entities – non-consolidated subsidiaries*	206	208	-	(1)
Other related entities – other*	-	-	-	-
Other related entities – through key personnel*	-	-	-	(15)
<b>Total transactions with related parties</b>	<b>41 836</b>	<b>8 182</b>	<b>(38 277)</b>	<b>(36 798)</b>

	Finance income		Finance costs	
	9-month period ended 30 September		9-month period ended 30 September	
	2017	2016	2017	2016
Parent Company and related parties (the Ferrovial Group)	-	-	(44)	(54)
Jointly-controlled entities	-	-	-	-
Associates	1 370	252	-	-
Other related entities – non-consolidated subsidiaries*	-	-	-	-
Other related entities – other*	-	-	-	-
Other related entities – through key personnel*	-	-	-	-
<b>Total transactions with related parties</b>	<b>1 370</b>	<b>252</b>	<b>(44)</b>	<b>(54)</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 quarter

The main factors that may affect the financial situation of the Group at least in the next quarter 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,

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- 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 September 2017 the backlog was PLN 9 280 579 thousand. The value of contracts signed between January and September 2017 was PLN 4 477 295 thousand. The number of pre-sold apartments in the period from January - September 2017 (without booking) is 1 220 units.

### 9. The main events in the third quarter of 2017 and significant events after 30 September 2017

In the third quarter 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
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. The contract was signed on 10 October 2017.
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). The contract was signed on 2 October 2017.
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).

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Date of the first current report	Customer	Contract value	Description
17.10.2017	Horizont Project Development Sp. z o.o.	127 190 (total value of the contracts)	Budimex SA concluded further contracts with Horizont Project Development Sp. z o.o. The highest-value contract was concluded on 8 August 2017 for the supply of prefabricated reinforced concrete substructures to the wood production plant in Biskupiec, amounting to PLN 59 863 thousand.

\* share of the Budimex Group without conditional remuneration

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

In the third quarter 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 quarterly 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 third quarter 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 half-year of 2017, i.e. 31 August 2017.

### 13. Proceedings pending as at 30 September 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 September 2017 was PLN 455 483 thousand. Excess of the value of proceedings against Group companies over proceedings relating to claims of Group companies amounted to PLN 185 377 thousand.

In accordance with information in the possession of Budimex SA, the total value of legal proceedings in progress in respect of liabilities of Budimex SA and its subsidiaries as at 30 September 2017 was PLN 320 430 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.

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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 the end of October, and their purpose will be to complement the hearing of the experts and to complete the process.

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

On 24 July 2017 a lawsuit against Budimex SA and Ferrovial Agroman SA in Madrid, members of the consortium related to implementation of the contract "Construction of the new premises for the Silesian Museum in Katowice" concluded on 7 June 2011, was filed by the petitioner — Silesian Museum in Katowice.

The petitioner requests that the plaintiffs are either condemned in solidum to pay the amount of PLN 122 758 thousand plus statutory interest from the date the lawsuit was filed for improper performance of the obligation under the Contract, either alternatively the court adjudges the claim for decreasing the price by PLN 34 675 thousand as the reimbursement of part of the remuneration, which was wrongly paid in petitioner's opinion. Article 471 of the civil code was specified as the grounds for pursuing the main claim, and the provisions on statutory warranty were specified for the alternative claim.

In the opinion of the Management Board of Budimex SA the claims in the lawsuit are groundless. The irregularities, which in the Petitioner's opinion constitute actual grounds of the claims, provided that these do exist, do not result from actions or omissions of the consortium. Moreover, proper performance of the building by the consortium was confirmed by the Petitioner issuing the Work Acceptance Certificate and Implementation Certificate for the Silesian Museum building in Katowice. The Management Board assesses that the provisions for warranty repairs recognized beforehand fully cover the risks related to contract implementation.

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 135 053 thousand as at 30 September 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.

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### 14. Contingent assets and contingent liabilities

	30 September 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	542 111	475 101
– bills of exchange received as security	4 564	12 373
<b>From other entities, total</b>	<b>546 675</b>	<b>487 474</b>
<b>Other contingent assets</b>	<b>34 918</b>	<b>16 117</b>
<b>Total contingent assets</b>	<b>581 593</b>	<b>503 591</b>
<b><u>Contingent liabilities</u></b>		
<b>To related parties, of which:</b>		
– guarantees and sureties issued	2 828	5 037
– bills of exchange issued as performance bond	-	-
<b>To related parties, total</b>	<b>2 828</b>	<b>5 037</b>
<b>To other entities, of which:</b>		
– guarantees and sureties issued	3 527 402	3 028 156
– bills of exchange issued as performance bond	15 355	2 695
<b>To other entities, total</b>	<b>3 542 757</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>3 679 966</b>	<b>3 169 442</b>
<b>Total contingent items</b>	<b>(3 098 373)</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 September 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	217 033	2025-08-13	against payment	subsidiary
Budimex SA	Budimex Budownictwo Sp. z o.o.*	112 701*	2026-12-23	free of charge	subsidiary
Budimex SA	Budimex Nieruchomości Sp. z o.o.	10 110	2020-02-17	against payment	subsidiary
Budimex SA	Budimex Kolejnictwo SA	6 276	2025-07-31	against payment	subsidiary
Budimex SA	Budimex Bau GmbH	83	2017-12-31	free of charge	subsidiary
Budimex SA	FBSerwis SA	1 565	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>349 031</b>			

\*sureties were issued for contracts realized by Budimex SA

**President of the Board**

**Board Member**

**Dariusz Blocher**

**Marcin Węglowski**

Warsaw, 25 October 2017

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