



THE BUDIMEX GROUP

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for 1 half of 2018

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

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Consolidated statement of financial position

ASSETS	30 June 2018	31 December 2017
	<i>not audited</i>	<i>audited</i>
Non-currents (long-term) assets		
Property, plant and equipment	174 996	162 422
Investment properties	24 845	24 623
Intangible assets	27 716	30 163
Goodwill of subordinated entities	73 237	73 237
Investments in equity accounted entities	35 555	39 228
Investments in equity instruments	9 501	9 501
Retentions for construction contracts	36 257	30 138
Trade and other receivables	41 271	39 341
Receivables from service concession agreement	46 294	46 440
Other financial assets	70 776	67 033
Deferred tax assets	398 018	405 208
Total non-current (long-term) assets	938 466	927 334
Current (short-term) assets		
Inventories	1 542 872	1 425 100
Trade and other receivables	823 100	689 939
Retentions for construction contracts	26 284	27 812
Valuation of long-term construction contracts	959 180	483 501
Current tax assets	9 251	30 298
Other financial assets	6 357	286 533
Cash and cash equivalents	920 340	2 126 839
Total current (short-term) assets	4 287 384	5 070 022
TOTAL ASSETS	5 225 850	5 997 356

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Consolidated statement of financial position (cont.)

EQUITY AND LIABILITIES	30 June 2018	31 December 2017
	<i>not audited</i>	<i>audited</i>
Equity		
Issued capital	145 848	145 848
Share premium	87 163	87 163
Other reserves	2 557	2 557
Foreign exchange differences on translation of foreign operations	6 944	5 342
Retained earnings	318 995	640 533
Shareholders' equity attributable to the shareholders of the Parent	561 507	881 443
Equity attributable to non-controlling interests	592	685
Total equity	562 099	882 128
Liabilities		
Non-current (long-term) liabilities		
Loans, borrowings and other external sources of finance	109 151	92 086
Retentions for construction contracts	212 442	203 643
Provision for long-term liabilities and other charges	307 644	305 858
Retirement benefits and similar obligations	11 086	11 086
Other financial liabilities	1 430	2 250
Total non-current (long-term) liabilities	641 753	614 923
Current (short-term) liabilities		
Loans, borrowings and other external sources of finance	37 584	30 324
Trade and other payables	1 667 043	1 697 984
Retentions for construction contracts	203 526	217 193
Provisions for construction contract losses	163 986	243 829
Valuation of long-term construction contracts	568 238	783 209
Deferred income	1 161 375	1 345 267
Provision for short-term liabilities and other charges	210 930	170 762
Current tax liability	6 035	3 404
Retirement benefits and similar obligations	1 537	1 537
Other financial liabilities	1 744	6 796
Total current (short-term) liabilities	4 021 998	4 500 305
Total liabilities	4 663 751	5 115 228
TOTAL EQUITY AND LIABILITIES	5 225 850	5 997 356

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Consolidated income statement

	6-month period ended 30 June		3-month period ended 30 June	
	2018	2017	2018	2017
	<i>not audited</i>		<i>not audited</i>	
Continuing operations				
Net sales of finished goods, goods for resale, raw materials and services	3 302 661	2 721 772	1 963 830	1 669 032
Cost of finished goods, goods for resale, raw materials and services sold	(3 016 170)	(2 369 678)	(1 817 580)	(1 479 948)
Gross profit on sales	286 491	352 094	146 250	189 084
Selling expenses	(14 870)	(16 303)	(7 508)	(8 679)
Administrative expenses	(110 538)	(102 322)	(56 935)	(49 555)
Other operating income	24 264	20 415	12 532	6 245
Other operating expenses	(15 223)	(4 730)	(8 132)	1 709
Operating profit	170 124	249 154	86 207	138 804
Finance income	17 288	18 655	7 143	8 453
Finance costs	(20 378)	(20 470)	(10 050)	(9 263)
Share in net (losses) of equity accounted subordinates	(3 673)	(3 650)	(838)	(1 168)
Gross profit	163 361	243 689	82 462	136 826
Income tax	(35 273)	(48 908)	(17 717)	(27 298)
Net profit from continuing operations	128 088	194 781	64 745	109 528
Net profit for the period	128 088	194 781	64 745	109 528
<i>of which:</i>				
Attributable to the shareholders of the Parent	128 047	194 638	64 727	109 480
Attributable to non-controlling interests	41	143	18	48
 <i>Basic and diluted earnings per share attributable to the shareholders of the Parent (in PLN)</i>	 5.02	 7.62	 2.54	 4.29

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Consolidated statement of comprehensive income

	6-month period ended 30 June		3-month period ended 30 June	
	2018	2017	2018	2017
	<i>not audited</i>		<i>not audited</i>	
Net profit for the period	128 088	194 781	64 745	109 528
Other comprehensive income which:				
<i>Items to be reclassified to profit or loss upon satisfaction of certain conditions:</i>				
Foreign exchange differences on translation of foreign operations	1 602	(289)	725	140
Income tax related to components of other comprehensive income	-	-	-	-
<i>Items not be subsequently reclassified to profit or loss:</i>				
Actuarial gains/(losses)	-	-	-	-
Income tax related to components of other comprehensive income	-	-	-	-
Other comprehensive income	1 602	(289)	725	140
Total comprehensive income for the period	129 690	194 492	65 470	109 668
<i>Of which:</i>				
Attributable to the shareholders of the Parent	129 649	194 349	65 452	109 620
<i>Attributable to non-controlling interests</i>	<i>41</i>	<i>143</i>	<i>18</i>	<i>48</i>

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Consolidated statement of changes in equity

	Equity attributable to the shareholders of the Parent						Non-controlling interests	Total equity	
	Issued capital	Share premium	Other reserves		Foreign exchange differences on translation of foreign operations	Retained earnings			Total
			Share-based payments	Actuarial gains/(losses)					
Balance as at 1 January 2018 <i>audited</i>	145 848	87 163	7 171	(4 614)	5 342	640 533	881 443	685	882 128
Profit for the period	-	-	-	-	-	128 047	128 047	41	128 088
Other comprehensive income	-	-	-	-	1 602	-	1 602	-	1 602
Total comprehensive income for the period	-	-	-	-	1 602	128 047	129 649	41	129 690
Dividends	-	-	-	-	-	(449 585)	(449 585)	-	(449 585)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	(134)	(134)
Balance as at 30 June 2018 <i>not audited</i>	145 848	87 163	7 171	(4 614)	6 944	318 995	561 507	592	562 099

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Consolidated statement of changes in equity (cont.)

	Equity attributable to the shareholders of the Parent Company						Non-controlling interests	Total equity	
	Issued capital	Share premium	Other reserves		Foreign exchange differences on translation of foreign operations	Retained earnings			Total
			Share-based payments	Actuarial gains/(losses)					
Balance as at 1 January 2017 <i>audited</i>	145 848	87 163	7 171	(2 446)	5 525	558 116	801 377	4 443	805 820
Profit for the period	-	-	-	-	-	194 638	194 638	143	194 781
Other comprehensive income	-	-	-	-	(289)	-	(289)	-	(289)
Total comprehensive income for the period	-	-	-	-	(289)	194 638	194 349	143	194 492
Dividends	-	-	-	-	-	(382 696)	(382 696)	-	(382 696)
Increase in interest in subsidiary company	-	-	-	-	-	662	662	(3 080)	(2 418)
Balance as at 30 June 2017 <i>not audited</i>	145 848	87 163	7 171	(2 446)	5 236	370 720	613 692	1 506	615 198
Profit for the period	-	-	-	-	-	269 770	269 770	43	269 813
Other comprehensive income	-	-	-	(2 168)	106	-	(2 062)	1	(2 061)
Total comprehensive income for the period	-	-	-	(2 168)	106	269 770	267 708	44	267 752
Increase in interest in subsidiary company	-	-	-	-	-	43	43	(865)	(822)
Balance as at 31 December 2017 <i>audited</i>	145 848	87 163	7 171	(4 614)	5 342	640 533	881 443	685	882 128

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Consolidated statement of cash flows

	6-month period ended 30 June	
	2018	2017
	<i>not audited</i>	<i>not audited</i>
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	163 361	243 689
Adjustments for:		
Depreciation/ amortization	23 852	17 258
Share in net losses of equity accounted companies	3 673	3 650
Foreign exchange (gains)/ losses	(1 010)	315
Interest and shares in profits (dividends)	(2 143)	(491)
(Profit)/ loss on investing activities	(2 469)	(454)
Change in valuation of derivative financial instruments	956	(2 251)
Change in provisions and liabilities arising from retirement benefits and similar obligations	41 954	17 575
Other adjustments	1 618	89
Operating profit/ (loss) before changes in working capital	229 792	279 380
Change in receivables and retentions for construction contracts	(138 882)	(104 856)
Change in inventories	(117 772)	(271 732)
Change in retentions for construction contracts and in liabilities, except for loans and borrowings	(35 790)	(37 283)
Change in deferred income	(183 892)	62 313
Change in valuation of construction contracts and in provision for losses	(770 493)	(702 553)
Change in cash and cash equivalents of restricted use	(5 294)	26 152
Cash flow used in operating activities	(1 022 331)	(748 579)
Income tax paid	(4 708)	(84 266)
NET CASH USED IN OPERATING ACTIVITIES	(1 027 039)	(832 845)

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Consolidated statement of cash flows (cont.)

	6-month period ended 30 June	
	2018	2017
	<i>not audited</i>	<i>not audited</i>
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of intangible assets and property, plant and equipment	10 392	2 949
Purchase of intangible assets and property, plant and equipment	(8 085)	(10 029)
Purchase of shares in subsidiaries and associates	-	(2 418)
Increase in issued capital in non-consolidated entities	(100)	-
Purchase of bonds issued by banks	(238 868)	(178 486)
Proceeds from bonds issued by banks	516 877	-
Loans granted	(7 220)	(49 546)
Interest received	4 121	134
NET CASH FROM/ USED IN INVESTING ACTIVITIES	277 117	(237 396)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of loans and borrowings	(484)	(512)
Dividends paid to the shareholders of the Parent	(449 585)	(382 696)
Dividends paid to non-controlling shareholders	(134)	-
Payment of liabilities under finance lease	(10 848)	(5 680)
Interest paid	(1 905)	(1 148)
Other finance expenditure	(324)	(321)
NET CASH USED IN FINANCING ACTIVITIES	(463 280)	(390 357)
TOTAL NET CASH FLOW	(1 213 202)	(1 460 598)
Foreign exchange differences on cash and cash equivalents, net	1 409	(724)
CASH AND CASH EQUIVALENTS - OPENING BALANCE (note 3.3)	1 961 849	2 524 033
CASH AND CASH EQUIVALENTS - CLOSING BALANCE (note 3.3)	750 056	1 062 711

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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 June 2018, 31 December 2017 and 30 June 2017 the following subsidiaries were subject to consolidation:

Company name	Registered office	% in the share capital and voting rights as at		
		30 June 2018	31 December 2017	30 June 2017
Mostostal Kraków SA	Cracow / Poland	100.00%	100.00%	100.00%
Mostostal Kraków Energetyka Sp. z o.o.	Cracow / Poland	100.00%	100.00%	-
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 Inwestycje „Grunwald” SA	Warsaw / Poland	98.95%	100.00%*	100.00%*
Budimex Budownictwo Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
SPV-PIM 1 Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
Budimex Kolejnictwo SA	Warsaw / Poland	100.00%	100.00%	100.00%
Budimex Parking Wrocław Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
Elektromontaż Poznań SA Group	Poznań / Poland	98.95%	98.95%	97.53%

*the entity was consolidated for the first time as of 1 February 2018

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

Joint operation	% in the share capital and voting rights
Budimex SA Budimex Budownictwo Sp. z o.o. s.c.	100.00%
Budimex SA Energetyka 1 Sp.j.	100.00%
Budimex SA Ferrovial Agroman SA s.c.	99.98%
Budimex SA Ferrovial 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 Ferrovial Agroman SA Sp. j.	50.00%
Budimex SA Cadagua SA II s.c.	50.00%

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Joint operation	% in the share capital and voting rights
Budimex SA Technicas Reunidas SA Turów s.c.	50.00%
Budimex SA Energetyka 2 Sp.j.	50.00%
Budimex SA Energetyka 3 Sp.j.	50.00%

As at 30 June 2018, 31 December 2017 and 30 June 2017 equity accounted companies included:

Associate	% in the share capital and voting rights
FBSerwis SA Group	49.00%
PPHU Promos Sp. z o.o.	26.31%

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

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

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

In the 6-month period ended 30 June 2018 there were no other changes in the Group structure.

In the period covered by this report, no significant activities were discontinued and nor were there plans to discontinue any significant activities in the future.

2. Shareholders of the Parent Company

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

Shareholder	Type of shares	Number of shares	% of the share capital	Number of votes	% of voting rights at the AGM
Valivala Holdings B.V. Amsterdam (the Netherlands) - Ferroviar Group company (Spain)	ordinary	14 078 159	55.14%	14 078 159	55.14%
Aviva OFE Aviva BZ WBK	ordinary	2 490 000	9.75%	2 490 000	9.75%
Nationale-Nederlanden OFE	ordinary	1 360 000	5.33%	1 360 000	5.33%
Other shareholders	ordinary	7 601 939	29.78%	7 601 939	29.78%
Total		25 530 098	100.00%	25 530 098	100.00%

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

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According to the information held by Budimex SA, the shareholding structure of Budimex SA as at 31 December 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%
Total		25 530 098	100.00%	25 530 098	100.00%

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

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

These condensed financial statements were prepared in accordance with IAS 34 "Interim Financial Reporting" and appropriate accounting standards applicable for preparation of the interim consolidated financial statements adopted by the European Union issued and effective when preparing the interim consolidated financial statements applying the same principles for the current and comparable period, with the exception of the application of new or amended standards and interpretations applicable to annual periods beginning on or after 1 January 2018. Details of accounting policies adopted by the Group were described in the consolidated financial statements of the Group for the year ended 31 December 2017, published on 22 March 2018.

The consolidated financial statements were prepared on the assumption that the Parent Company and all entities included in the Budimex Group will be going concerns in the foreseeable future. In the reporting period and as at the date of preparation of these financial statements no circumstances were noted that would indicate a threat to ability to continue as a going concern.

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

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

Details on the implementation of IFRS 9 are included in note 3.2. The implementation of other changes to standards and interpretations had no material impact on the consolidated financial statements.

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

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

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

The Group has elected not to use the opportunity of early adoption of IFRS 16. The Group currently estimates that the application of IFRS 16 „Leases” may, to some extent, increase both its non-current assets and its financial liabilities. At the same time, positive impact on operating result and negative impact on the result from financing activities are expected. The value of future (undiscounted) payments under operating lease which would be recognised as financial

assets/ financial liabilities as at 31 December 2017 was disclosed in the consolidated financial statements of the Group for the year ended 31 December 2017, published on 22 March 2018.

Standards, 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 17 „Insurance contracts” (effective for annual periods beginning on or after 1 January 2021),
- Amendments to IAS 19 „Employee benefits” – Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IAS 28 „Investments in Associates and Joint Ventures” - Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019),
- Annual Improvements to IFRSs (Cycle 2015-2017), effective for annual periods beginning on or after 1 January 2019,
- Amendments to References to the Conceptual Framework in IFRS Standards, effective for annual periods beginning on or after 1 January 2020,
- IFRIC 23 „Uncertainty over Income Tax Treatments” (effective for annual periods beginning on or after 1 January 2019).

The above mentioned standards, standards amendments and 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 financial statement the Budimex Group applied for the first time IFRS 9 „Financial Instruments”. The Group decided not to restate data of the previous periods and to present any possible impact of the first application in the opening balance of the retained earnings.

Main assumptions of the accounting principles applied by the Group as at the date of the first application of IFRS 9 are presented below.

Financial instruments

Classification and measurement

Financial assets and financial liabilities are recognised in the statement of financial position of Budimex Group entities when the entities become party to the contractual provisions of the instrument. At first recognition financial assets and financial liabilities are recognised at fair value (in case of assets/ liabilities subsequently measured at amortised cost transaction costs should be added/deducted to/from the initial value).

At initial recognition trade receivables which do not contain significant financing component (according to IFRS 15) are measured at their transaction price.

Classification of financial assets is based on Budimex Group entities’ business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

In the subsequent periods after the initial recognition the financial assets are measured at:

- amortised cost,
- at fair value through other comprehensive income,
- at fair value through profit or loss.

A financial asset is measured at amortised cost if:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income if:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Furthermore, Budimex Group entities may make an irrevocable election at initial recognition for investments in equity instruments not held for trading that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. The amounts accumulated in other comprehensive income cannot be reclassified to profit or loss, even at derecognition. Such an investment is a non-monetary item. Any related foreign exchange component is also presented in other comprehensive income.

A financial asset is measured at fair value through profit and loss in all other cases.

Financial assets are derecognised when contractual rights to the cash flows from the financial asset expire or when they were transferred and substantially all risks and rewards of ownership of the financial asset were transferred as well.

All financial liabilities are classified as measured at amortised cost after the initial recognition, except for financial liabilities measured at fair value through profit or loss (meeting the definition of held for trading) – these instruments are measured at fair value after the initial recognition.

A special subcategory of financial assets and liabilities held for trading are *derivatives*. Derivative transactions are concluded to hedge cash flows against foreign exchange and interest rate risk.

Derivative instruments are measured as at the balance sheet date at a reliably determined fair value. The fair value of derivative instruments is estimated using a model based, inter alia, on exchange rates (average NBP rates) as at the balance sheet date or differences in interest rate levels of the quoted and base currencies.

The effects of periodic valuation of derivative instruments hedging exchange rate fluctuations on construction contracts denominated in foreign currencies and gains and losses as at the settlement date are recognized in the profit and loss account under "Other operating income (expenses)" under operating activities.

The effects of periodic valuation of derivative instruments hedging interest rate fluctuations or foreign exchange rates of items classified as financial activities and gains and losses as at the date of their settlement are shown in the profit and loss account under "Finance income (costs)" as part of financing activities.

Budimex Group entities do not apply hedge accounting.

Impairment of financial assets

Budimex Group entities recognise a loss allowance for expected credit losses on a financial asset. Credit losses are the difference between all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive, taken into consideration all expected shortfalls (i.e. lack of payments). If the impaired financial assets are long-term, the loss allowance for expected credit losses should be discounted according to the original effective interest rate (i.e. the rate as at the asset recognition).

The amount of the loss allowance for expected credit losses

In case of trade receivables and financial assets within IFRS 15 scope (i.e. valuation of long-term construction contracts and receivables from service concession arrangement) Budimex Group entities measure the loss allowance in the amount of the lifetime expected credit losses.

In case of other financial assets outside IFRS 15 scope (i.e. investments in equity instruments, retentions for construction contracts, loans granted and other financial assets not measured at fair value) the loss allowance should be measured at an amount equal to the lifetime expected credit losses, if the credit risk on that financial instrument has increased significantly since initial recognition. If the credit risk on a financial instrument has not increased significantly since initial recognition, the loss allowance for that financial instrument should be measured at an amount equal to 12-month expected credit losses.

In case of other financial assets outside IFRS 15 scope, if Budimex Group entities have measured the loss allowance for a financial instrument at an amount equal to lifetime expected credit losses in the previous reporting period, and then, at the current reporting date, they determine that the credit risk is not significantly increased anymore, they shall measure the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date.

3.3. Cash recognised in the cash flow statement

The Group recognizes cash of restricted use (including mainly cash of the consortia in the portion attributable to other consortium members, cash representing security for bank guarantees and funds kept in escrow by developer companies) in the statement of financial position under cash and cash equivalents. For the purpose of the statement of cash flow – the balance of cash at the beginning and at the end of the reporting period is reduced by cash of restricted use, and its change in the statement of financial position is recognized under cash flow from operating activities.

	30 June 2018	31 December 2017	30 June 2017
Cash recognised in the statement of financial position	920 340	2 126 839	1 227 660
Cash and cash equivalents of restricted use	(170 284)	(164 990)	(164 949)
Cash recognised in the statement of cash flow	750 056	1 961 849	1 062 711

4. Descriptions of factors and events which had a material effect on the financial result of the Budimex Group for the first half-year of 2018

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

In the 6-month period ended 30 June 2018, the Budimex Group earned sales revenue of PLN 3 302 661 thousand which means a 21.34% increase on the corresponding period of 2017. Sales revenue of the Budimex Group for the second quarter of 2018 only amounted to PLN 1 963 830 thousand and was PLN 294 798 thousand higher (17.66%) than in the corresponding period of the previous year.

In the first half of 2018 construction-assembly production in Poland expressed in current prices increased by 26.3% (an increase by 23.7% 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 17.20% on the corresponding period.

Gross profit on sales in the first half of 2018 was PLN 286 491 thousand, while in the corresponding period of the prior year it amounted to PLN 352 094 thousand. The gross sales profitability ratio was therefore 8.67% in the first half of 2018, while in the first half of 2017 was 12.94%. On the other hand the gross profitability ratio was 7.45% in the second quarter of 2018 compared to 11.33% in the corresponding period of 2017.

Selling expenses decreased in the first half of 2018 by PLN 1 433 thousand compared to the corresponding period of the prior year, while administrative expenses were PLN 8 216 thousand higher than expenses incurred in the corresponding period of 2017. The share of selling and administrative expenses in total sales decreased from 4.36% in the first half of 2017 to 3.80% in the first half of 2018.

Other operating income for the first half of 2018 was PLN 24 264 thousand and comprised, inter alia: reversal of provisions for penalties in the amount of PLN 6 080 thousand (PLN 335 thousand in the second quarter of 2018 only), income from compensations and contractual penalties in the amount of PLN 14 241 thousand (PLN 10 039 thousand in the second quarter of 2018 only) and reversed write-off for receivables due to repayment by debtors amounting to PLN 509 thousand (PLN 58 thousand in the second quarter of 2018 only). The overdue and expired liabilities amounting to PLN 944 thousand (PLN 14 thousand in the second quarter of 2018 only) were also written off. The gain on settlement of FX forward derivative instrument contracts (made with a view to limiting the FX risk on foreign currency construction contracts) amounted to PLN 96 thousand (PLN 398 thousand in the second quarter of 2018 only). Additionally, in the period of six months of 2018 Group companies disposed of property, plant and equipment with a net value of PLN 8 638 thousand (PLN 1 thousand in the second quarter of 2018) and reported a gain on sale of PLN 1 754 thousand (PLN 1 746 thousand in the second quarter of 2018 only).

Other operating expenses for the first half of 2018 amounted to PLN 15 223 thousand and included, among others: PLN 4 898 thousand related to creation of write-off for receivables (PLN 2 783 thousand in the second quarter of 2018 only), PLN 5 089 thousand related to compensations and contractual penalties paid out (PLN 1 042 thousand in the second quarter of 2018 only) and PLN 853 thousand – to donations (PLN 537 thousand in the second quarter of 2018 only). The costs of provision for compensations and contractual penalties amounted to PLN 2 274 thousand (of which PLN 2 234 thousand in the second quarter of 2018). The loss on valuation of FX forward derivative instrument contracts amounted to PLN 1 161 thousand (PLN 1 465 thousand in the second quarter of 2018 only).

In turn, other operating income for the first half of 2017 was PLN 20 415 thousand and comprised, inter alia: gain on valuation and settlement of FX forward and FX option derivative instrument contracts (made with a view to limiting the FX risk on foreign currency construction contracts) in the amount of PLN 2 996 thousand (a loss in the second quarter of 2017 only was PLN 73 thousand), income from compensations and contractual penalties in the amount of PLN 8 617 thousand (PLN 4 783 thousand in the second quarter of 2017 only) and reversal of provisions for lawsuits in the amount of PLN 2 583 thousand (entirely reversed in the first quarter of 2017). Reversed write-off for receivables due to repayment by debtors amounted to PLN 2 503 thousand (PLN 287 thousand in the second quarter of 2017 only). The write-off for overdue liabilities amounted to PLN 1 895 thousand (PLN 683 thousand in the second quarter of 2017 only). Additionally, in the period of six months of 2017 Group companies disposed of property, plant and equipment and reported a gain on sale of PLN 1 370 thousand, at the same time incurring a loss on liquidation of plant, property and equipment of PLN 580 thousand. The net book value of the property, plant and equipment sold amounted to PLN 1 579 thousand.

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

The reported operating profit of the Group in the first half of 2018 was PLN 170 124 thousand (PLN 86 207 thousand in the second quarter of 2018 only), while in the first half of 2017 it amounted to PLN 249 154 thousand (PLN 138 804 thousand in the second quarter of 2017 only). The operating profit for the first half of 2018 represented 5.15% of sales revenue value, while for the corresponding period of the prior year – 9.15% of sales revenue.

In the 6-month period ended 30 June 2018 the Group incurred a loss on finance activities in the amount of PLN 3 090 thousand (a loss amounting to PLN 2 907 thousand in the second quarter of 2018 only), while in the same period of the prior year – a loss in the amount of PLN 1 815 thousand (a loss amounted to PLN 810 thousand in the second quarter of 2017 only). Finance income in the first half of 2018 represented mainly interest of PLN 15 994 thousand (PLN 6 660 thousand in the second quarter of 2018 only), valuation of receivables from service concession agreement of PLN 1 089 thousand (PLN 352 thousand in the second quarter of 2018 only).

Finance costs in the first half of 2018 represented, among others, interest costs of PLN 3 174 thousand (PLN 1 942 thousand in the second quarter of 2018 only), bank commissions on guarantees and loans of PLN 12 070 thousand paid by Group companies (PLN 5 913 thousand in the second quarter of 2018 only) and costs from discount of long-term retention receivables and liabilities of PLN 4 550 thousand (PLN 2 001 thousand in the second quarter of 2018 only).

In comparison finance income in the first half of 2017 was PLN 18 655 thousand and included mainly interest of PLN 16 992 thousand (PLN 7 664 thousand in the second quarter of 2017 only), valuation of receivables from service concession agreement of PLN 1 463 thousand (PLN 732 thousand in the second quarter of 2017 only), reversal of discount of long-term receivables in the amount of PLN 200 thousand (PLN 98 thousand in the second quarter of 2017 only).

In turn, finance costs in the 6-month period ended 30 June 2017 were PLN 20 470 thousand and included, among others, interest costs of PLN 2 205 thousand (PLN 1 145 thousand in the second quarter of 2017 only), bank commissions on guarantees and loans of PLN 11 802 thousand paid by Group companies (PLN 6 002 thousand in the second quarter of 2017 only) and costs from discount of long-term retention receivables and liabilities of PLN 4 481 thousand (PLN 2 111 thousand in the second quarter of 2017 only). During the first half of 2017 the Group incurred a loss on valuation and settlement of interest rate swap derivative instrument in the amount of PLN 603 thousand (PLN 442 thousand in the second quarter of 2017 only). Surplus of negative exchange rate differences over positive differences in the amount of PLN 1 362 thousand was also recognized in the finance costs.

All valued derivative instrument contracts (presented both in the operating and financing activity) were classified as level 2 in the fair value hierarchy. During the 6 months ended 30 June 2018, there was no transfer between Level 1 and Level 2 of fair value measurements, and no transfer into and out of Level 3 of fair value measurement. The fair value of financial instruments is close to their carrying amounts.

In the first half of 2018, the Group reported a gross profit of PLN 163 361 thousand, while in the corresponding period of the prior year – a gross profit of PLN 243 689 thousand.

Income tax for the 6-month period ended 30 June 2018 was PLN 35 273 thousand (PLN 48 908 thousand for the 6-month period of 2017), of which:

- current tax was PLN 28 068 thousand,
- deferred tax in the amount of PLN 7 205 thousand.

As at 30 June 2018, the Group recognized a deferred tax asset in the amount of PLN 398 018 thousand, while as at 31 December 2017 – PLN 405 208 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 Budimex SA for the first half of 2018 was PLN 128 047 thousand (PLN 64 727 thousand in the second quarter of 2018 only), while the net profit attributable to the shareholders of Budimex SA for the corresponding period of 2017 was PLN 194 638 thousand (PLN 109 480 thousand in the second quarter of 2017).

The net profit attributable to non-controlling interest for the first half of 2018 amounted to PLN 41 thousand (PLN 18 thousand in the second quarter of 2018 only). In the corresponding period of 2017, the net profit attributable to non-controlling interest amounted to PLN 143 thousand (PLN 48 thousand in the second quarter of 2017 only).

In the 6-month period of 2018 the Group reversed the write-off for inventory in the amount of PLN 7 516 thousand. The reversal decreased the costs of finished goods, goods for resale, raw materials and services sold. At the same time the Group did not create any new write-offs for tangible current assets.

In the 6-month period of 2017 the Group reversed the write-off for inventory in the amount of PLN 6 584 thousand. The reversal decreased the costs of finished goods, goods for resale, raw materials and services sold. At the same time the Group did not create any new write-offs for tangible current assets.

Another transaction of significant value during the 6-month period ended 30 June 2018 was the purchase of short-term bonds of some Polish mortgage banks amounting to PLN 238 868 thousand. At the same time, bonds purchased in 2017 and 2018 amounting to PLN 516 877 thousand were already settled.

As at 30 June 2018 the position "Valuation of long-term construction contracts" on the assets' side in the consolidated statement of financial position amounted to PLN 959 180 thousand and was PLN 475 679 thousand higher than at 31 December 2017. The increase in the value of unissued invoices for construction works resulted mainly from the seasonality of the invoicing cycle - the majority of invoices to public clients are issued at the end of the financial year, which causes a decrease in the value of unissued invoices - during the year the value of this position remains at a much higher level. In addition, the scale of the Group's operations is also bigger and the Group companies lead projects with a non-standard invoicing scheme, which also causes an increase in the balance of "Valuation of long-term construction contracts" on the assets' side.

The bigger scale of operations also had a significant impact on value of the cash and cash equivalents, which decreased by PLN 1 206 499 thousand. The spent cash was mainly involved in dividend payment in the amount of PLN 449 585 thousand, in the above-described uninvoiced construction works in the amount of PLN 475 679 thousand, in decrease in overinvoicing for construction works in the amount of PLN 214 971 thousand and decrease in the provision for losses on long-term construction contracts in PLN 79 843 thousand.

The Budimex Group companies are required to issue a warranty for the construction services rendered. As at 30 June 2018 the provision for warranty amounted to PLN 386 610 thousand. In the 6-month period ended 30 June 2018 the balance of the provision for warranty increased by PLN 31 987 thousand, while in the second quarter of 2018 the increase was PLN 14 880 thousand. Provisions for warranty are presented in the line "Provisions for long-term liabilities and other charges" in the consolidated statement of financial position.

In the first half of 2018, the Group purchased or started to lease property, plant and equipment and intangible assets with a total value of PLN 43 437 thousand, of which plant and machinery accounted for PLN 28 583 thousand. In the first half of 2017, the Group purchased or started to lease property, plant and equipment and intangible assets with a total value of PLN 20 312 thousand, of which plant and machinery accounted for PLN 13 693 thousand.

As at 30 June 2018, the Group had contractual obligations for the purchase of property, plant and equipment in the amount of PLN 46 311 thousand. Contractual obligations made by the Group for the purchase of property, plant and equipment as at 31 December 2017 amounted to PLN 51 385 thousand.

5. Operating segments

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

- construction business
- developer and property management business.

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

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

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

- Budimex Nieruchomości Sp. z o.o.
- SPV-PIM 1 Sp. z o.o.
- Budimex Inwestycje „Grunwald” SA
- Budimex SA in a part relating to developer business, as a result of merger with Budimex Inwestycje Sp. z o.o. on 13 August 2009

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

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

The results of segments for the first half-year of 2018 are presented in the table below:

Segment name	Construction business	Property management and developer business	Other business	Consolidation adjustments	Consolidated value
External sales	2 909 115	330 381	63 165	-	3 302 661
Inter-segment sales	133 875	484	11 435	(145 794)	-
Total sales of finished goods, goods for resale and raw materials	3 042 990	330 865	74 600	(145 794)	3 302 661
Gross profit	213 320	66 214	10 980	(4 023)	286 491
Selling expenses	(4 816)	(7 157)	(2 897)	-	(14 870)
Administrative expenses	(102 194)	(12 926)	(3 030)	7 612	(110 538)
Other operating income/ (expenses), net	9 165	(88)	(61)	25	9 041
Operating profit	115 475	46 043	4 992	3 614	170 124
Finance income/(costs), net	(5 219)	1 364	921	(156)	(3 090)
Shares in (losses) of equity accounted subordinates	-	-	(3 673)	-	(3 673)
Income tax expense	(24 522)	(9 091)	(1 003)	(657)	(35 273)
Net profit for the period	85 734	38 316	1 237	2 801	128 088

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

Segment name	Construction business	Property management and developer business (restated)*	Other business (restated)*	Consolidation adjustments	Consolidated value
External sales	2 437 670	231 831	52 271	-	2 721 772
Inter-segment sales	159 621	406	22 404	(182 431)	-
Total sales of finished goods, goods for resale and raw materials	2 597 291	232 237	74 675	(182 431)	2 721 772
Gross profit	297 302	47 193	9 241	(1 642)	352 094
Selling expenses	(5 004)	(8 822)	(2 492)	15	(16 303)
Administrative expenses	(95 158)	(10 168)	(2 683)	5 687	(102 322)
Other operating income, net	14 090	4 134	505	(3 044)	15 685
Operating profit	211 230	32 337	4 571	1 016	249 154
Finance income/ (costs), net	(3 409)	1 497	121	(24)	(1 815)
Shares in (losses) of equity accounted subordinates	-	-	(3 650)	-	(3 650)
Income tax expense	(41 329)	(6 357)	(1 035)	(187)	(48 908)
Net profit/ (loss) for the period	166 492	27 477	7	805	194 781

*according to the disclosure note 1.3 the data was restated

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

6.1. Sales revenue, by type of good or service

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

Segment name	Construction business	Property management and developer business	Other business	Consolidation adjustments	Consolidated financial data
Sales of construction and assembly services	2 999 941	-	68 489	(137 911)	2 930 519
Sales of other services	13 481	3 773	2 442	(7 883)	11 813
Sales of finished goods	26 981	325 235	3 573	-	355 789
Sales of goods for resale and raw materials	2 587	1 857	96	-	4 540
Total sales of finished goods, goods for resale and raw materials	3 042 990	330 865	74 600	(145 794)	3 302 661

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

Segment name	Construction business	Property management and developer business (restated)*	Other business (restated)*	Consolidation adjustments	Consolidated financial data
Sales of construction and assembly services	2 562 989	-	71 926	(176 692)	2 458 223
Sales of other services	12 293	4 645	1 724	(5 739)	12 923
Sales of finished goods	19 888	227 592	984	-	248 464
Sales of goods for resale and raw materials	2 121	-	41	-	2 162
Total sales of finished goods, goods for resale and raw materials	2 597 291	232 237	74 675	(182 431)	2 721 772

*according to the disclosure note 1.3 the data was restated

6.2. Sales revenue, by geographical area

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

Segment name	Construction business	Property management and developer business	Other business	Consolidation adjustments	Consolidated financial data
Poland	2 909 637	330 865	69 592	(145 794)	3 164 300
Germany	97 354	-	164	-	97 518
Other EU countries	35 807	-	3 095	-	38 902
Other countries*	192	-	1 749	-	1 941
Total sales of finished goods, goods for resale and raw materials	3 042 990	330 865	74 600	(145 794)	3 302 661

*other countries are Ukraine and Russia

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

Segment name	Construction business	Property management and developer business (restated)**	Other business (restated)**	Consolidation adjustments	Consolidated financial data
Poland	2 482 583	232 237	73 112	(182 431)	2 605 501
Germany	97 607	-	101	-	97 708
Other EU countries	15 417	-	-	-	15 417
Other countries*	1 684	-	1 462	-	3 146
Total sales of finished goods, goods for resale and raw materials	2 597 291	232 237	74 675	(182 431)	2 721 772

*other countries are Ukraine and Russia

**according to the disclosure note 1.3 the data was restated

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6.3. Sales revenue of the segment „Construction business” by construction type

Net sales of finished goods, services, goods for resale and raw materials of the „Construction business” as the most significant Budimex Group operating segment were additionally analysed by type of construction objects. Data for the first half-year of 2018 and the first half-year of 2017 were as follows:

Type of construction	Sales revenue for a 6-month period ended:	
	30 June 2018	30 June 2017
Land-engineering	1 192 536	1 252 599
Railway	217 033	76 408
General construction, of which:	1 633 421	1 268 284
- non-residential	1 233 300	870 595
- residential	400 121	397 689
Net sales of finished goods, goods for resale and raw materials – “Construction business” segment	3 042 990	2 597 291

7. Related party transactions

Transactions with related parties made in the first half-year of 2018 and in the first half-year of 2017 and unsettled balances of receivables and liabilities as at 30 June 2018 and 31 December 2017 are presented in the tables below:

	Receivables		Liabilities	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
Parent and it related parties (the Ferrovial Group)	20 780	20 679	77 186	73 553
Jointly controlled entities	12 531	13 820	922	744
Associates	377	304	1 602	1 635
Other related entities – non-consolidated subsidiaries*	43	26	20	387
Other related entities – other*	16	11	-	-
Other related entities – through key personnel*	-	-	6 527	5 091
Total settlements with related parties	33 747	34 840	86 257	81 410

	Loans granted / acquired debt securities		Loans taken out / issued debt securities	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
Parent and it related parties (the Ferrovial Group)	-	-	9 122	8 698
Jointly controlled entities	360	-	-	-
Associates	70 226	62 451	-	-
Other related entities – non-consolidated subsidiaries*	-	-	-	-
Other related entities – other*	-	-	-	-
Other related entities – through key personnel*	-	-	-	-
Total settlements with related parties	70 586	62 451	9 122	8 698

	Sales of finished goods and services 6-month period ended 30 June		Purchase of finished goods and services 6-month period ended 30 June	
	2018	2017	2018	2017
Parent and it related parties (the Ferrovial Group)	271	565	(19 833)	(22 904)
Jointly controlled entities	30 201	15 709	(223)	(49)
Associates	931	568	(3 183)	(3 218)
Other related entities – non-consolidated subsidiaries*	38	120	(104)	-
Other related entities – other*	-	-	-	-
Other related entities – through key personnel*	-	-	-	-
Total transactions with related parties	31 441	16 962	(23 343)	(26 171)

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	Finance income		Finance costs	
	6-month period ended 30 June 2018	6-month period ended 30 June 2017	6-month period ended 30 June 2018	6-month period ended 30 June 2017
Parent and it related parties (the Ferrovial Group)	-	-	(25)	(29)
Jointly controlled entities	-	-	-	-
Associates	1 913	501	-	-
Other related entities – non-consolidated subsidiaries*	-	-	-	-
Other related entities – other*	-	-	-	-
Other related entities – through key personnel*	-	-	-	-
Total transactions with related parties	1 913	501	(25)	(29)

*) Other related parties represent controlled or jointly controlled entities or entities, on which the key management person of the Parent Company or of the subsidiary of the Budimex Group or his close relative exercises significant influence, or has significant number of votes at the shareholders' meeting of this company.

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

8. Factors which will affect results achieved by the Group in a period covering at least the next half-year

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

- higher demand for subcontractors' services, which might have influence on quality and timeliness of the works performed,
- price level of materials and construction services affecting the amount of direct costs of realised contracts,
- availability of qualified employees,
- intensification of construction works related to the implementation of large public investment programs, which causes problems related to logistics and transport of construction materials,
- level of competition in public tenders,
- intensification of actions aimed at recovery of overdue debts, which were provided for and strengthening the operational and financial control in respect of contracts realised,
- results of the pending legal proceedings, described in more detail in note 13 to these consolidated financial statements,
- changes of tax regulations affecting the construction sector,
- fluctuations of exchange rates, which have the impact on the sales revenue, operating costs and result of the valuation and realization of derivative financial instrument contracts.

As at 30 June 2018 the backlog was PLN 10 783 922 thousand. The value of contracts signed between January and June 2018 was PLN 3 359 001 thousand. The number of pre-sold apartments in the period from January - June 2018 (without booking) is 509 units. As at 30 June 2017 the backlog was PLN 9 614 227 thousand. The value of contracts signed between January and June 2017 was PLN 3 170 916 thousand. The number of pre-sold apartments in the period from January - June 2017 (without booking) is 886 units.

9. The main events in the first half-year of 2018 and significant events after 30 June 2018

In the half-year quarter of 2018 the Budimex Group companies were notified about the selection of their offer of significant value or entered into the following significant contracts:

Significant contracts:

Date of the first current report	Customer	Contract value	Description
13.02.2018	General Directorate for National Roads and Motorways Branch in Olsztyn	393 730	Selection of the bid as the most advantageous one in the procurement procedure for the "Design and construction of the S61 express road between Szczuczyn - Budzisko (state border): Task 3: section between Wysokie junction and Raczek". The contract was signed on 4 July 2018.
13.02.2018	PKP PLK SA	128 743 (102 994)*	Selection of the bid of the consortium of Budimex SA (consortium leader, 80%) and KZA Przedsiębiorstwo Automatyki i Telekomunikacji SA (consortium partner) as the most advantageous bid in the procurement procedure for "Design and performance of construction works at the Idzikowice station under the project named Modernisation of the railway line No. 4 – Central Rail Line. Stage II". The contract was signed on 28 February 2018.
21.02.2018	Dom Development SA	112 200	Conclusion of an annex to the agreement of 27 June 2017 for construction, as a general contractor, of the I stage of the housing project "Marina Mokotów II" in Warsaw. Under the said annex, the remuneration for completion of the aforementioned agreement was established as PLN 112 200 thousand.
21.02.2018	Dom Development SA	125 882	Conclusion of an agreement for construction, as a general contractor, of the II stage of the housing project "Marina Mokotów II" in Warsaw.
5.03.2018	Dyrekcja Rozbudowy Miasta Gdańska	116 785	Conclusion of a contract for the construction of the Biskupia Górka flyover. Budimex SA informed about the selection of the bid as the most advantageous one on 30 October 2017.
7.03.2018	Mareckie Inwestycje Miejskie Sp. z o.o.	84 745 (contract no. 1) 27 229 (contract no. 2)	Conclusion of a contract for the implementation of the first stage of Education and Recreation Centre in Marki, encompassing the construction of Junior High School and High School at Wspólna street in Marki (contract no.1) and selection of the offer as the most advantageous one in the tender procedure for "Expansion, reconstruction and renovation of primary school no. 2 in Marki. The contract no. 2 was concluded on 20 March 2018.
14.03.2018	General Directorate for National Roads and Motorways Branch in Łódź	456 749 (228 375)*	Budimex SA received a letter informing that the consortium's bid of Budimex SA – the consortium leader (50%) and Strabag Sp. z o. o. – the consortium partner (50%) was considered the most advantageous in the tender procedure concerning: The design and construction of the S14 express road of the West Ring Road of Łódź. Ex. A – Section I junction "Łódź Lublinek" – junction "Łódź Teofilów" Ex. B – Section II junction "Łódź Teofilów" (without a junction) – N91 in Słowik in the scope of part No 1 of the order: "The design and construction of the S14 express road of the West Ring Road of Łódź Ex. A – Section I junction "Łódź Lublinek" – junction "Łódź Teofilów". The offer was chosen as the most advantageous one on 1 August 2018. Till the date of the financial statement the contract has not been signed.
20.03.2018	Zarząd Morskiego Portu Gdańsk SA	153 707	Budimex SA received a letter informing that the bid was considered the most advantageous one in the tender procedure concerning: "Expansion of the Dworzec Drzewny Quay at the Port of Gdańsk". The bid was selected on 19 April 2018 and the agreement was signed on 8 June 2018.

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Date of the first current report	Customer	Contract value	Description
29.03.2018	General Directorate for National Roads and Motorways Branch in Rzeszów	271 155	Selection of the bid as the most advantageous one in the tender for "Design and construction of the S19 express road on the section from the Nisko Południe junction (without junction) to the Sokołów Małopolski Północ junction (including the junction), divided into three lots. Lot B from the Podgórze junction (including the junction) to the Kamień junction (without the junction) with the length of approx. 10.5 km." The contract was concluded on 9 August 2018.
11.04.2018	KGHM Polska Miedź SA	578 000	Selection of the bid as the most advantageous one in the tender for the construction of the Southern Section of Żelazny Most Waste Treatment Facility - Stage I (Phase 1,2,3). The contract was signed on 8 May 2018.
17.04.2018	General Directorate for National Roads and Motorways Branch in Gdańsk	273 068	Selection of the bid as the most advantageous one in the tender for the construction of S6 Słupsk-Gdańsk express road on the Lębork (including Lębork bypass) - Trójmiasto bypass section, broken down into 2 parts: part 1 Construction of S6 Słupsk-Gdańsk express road on the Lębork (including Lębork bypass) - Trójmiasto bypass section Task 3 Luzino junction (without a junction) - Szemud junction (with a junction). The contract was signed on 11 June 2018.
15.05.2018	Museum of Polish History in Warsaw	459 740	Selection of the bid as the most advantageous one in the tender for Construction of the Polish History Museum in Warsaw. The contract was signed on 30 May 2018.
22.05.2018	PKP PLK SA	478 972	Budimex SA was informed that its bid was considered the most advantageous in the tender procedure for the reconstruction of track system together with auxiliary infrastructure at the E59 railway line, Rokietnica-Wronki section, under the "Works on the E59 railway line at the Poznań Główny-Szczecin Dąbie section". The bid was chosen as the most advantageous one on 10 July 2018. Till the date of the financial statement the contract has not been signed.
28.05.2018	City of Bydgoszcz	149 218 (total value of the contracts)	Budimex SA was informed that another bid was rated as the most advantageous one in a tender procedure. The contract of highest value was "Execution of construction works consisting in reconstruction, extension and modification of the manner of use of the facilities comprising the Rother's Mills complex together with accompanying infrastructure on Mill Island in Bydgoszcz" amounting to PLN 74 900 thousand. The bid was selected as the most advantageous one on 6 June 2018 and the contract was signed on 21 June 2018.
7.06.2018	General Directorate for National Roads and Motorways Branch in Łódź	389 328 (194 664)*	Selection of the bid of the Consortium of Budimex SA (Consortium leader with 50% of shares) and Strabag Sp. z o.o. (Consortium partner with 50% of shares) as the most advantageous one in the tender procedure entitled: "Design and construction of A1 Motorway: Tuszyn (without junction) – border of Łódź and Silesia provinces from km 335+937.65 to km 399+742.51. Section A – Tuszyn junction (without junction) – Bełchatów junction (including junction) from km 335+937.65 to km 351+800.00." The contract was signed on 30 July 2018.
13.06.2018	General Directorate for National Roads and Motorways Branch in Olsztyn	546 752	Selection of the bid as the most advantageous one in the tender procedure for the "Design and construction of the S61 express road between Szczuczyn and Budzisko (state border) divided into tasks: Task 1 between Szczuczyn municipality and Elk Południe junction". Budimex SA decided not to sign the contract.

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Date of the first current report	Customer	Contract value	Description
25.06.2018	General Directorate for National Roads and Motorways Branch in Łódź	465 970 (232 985)*	Budimex SA was informed that the bid of the Consortium of Strabag Sp. z o.o. (leader: with 50% of shares) and Budimex SA (partner: with 50% of shares) was evaluated as the best one in the tender procedure entitled: "Design and construction of A-1 Motorway: Tuszyn (without junction) – border of Łódź and Silesia provinces from km 335+937.65 to km 399+742.51. Section C - junction: Kamieńsk (without junction) - junction: Radomsko (with junction) from km 376+000.00 to km 392+720.00. The offer was selected as the most advantageous on 25 July 2018. Till the date of the financial statement the contract has not been signed.

* share of the Budimex Group

On 2 August 2018 the change in the name of Budimex Inwestycje "Grunwald" SA was registered in the National Court Register - currently the company is called Biuro Inwestycji Grunwald SA.

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

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

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

In the first half-year of 2018 Budimex SA and Group companies did not issue, redeem or repay debt or equity securities.

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

Budimex SA did not publish any forecasts.

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

As at the date of publication of the report members of the Management Board and Supervisory Board of Budimex SA held the following number of shares:

Marcin Węglowski	(Management Board member)	2 830 shares
Marek Michałowski	(chairman of the Supervisory Board)	4 000 shares

Above mentioned members of the Management Board and Supervisory Board do not own share options of the company. As at the date of publication of this report other managing and supervisory persons of Budimex SA do not hold its shares or share options. There was no change in the status of ownership from the date of publication of the annual report for the year 2017, i.e. 22 March 2018.

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

The total value of legal proceedings in progress in respect of liabilities and receivables as at 30 June 2018 was PLN 438 436 thousand. Excess of the value of proceedings against Group companies over proceedings relating to claims of Group companies amounted to PLN 187 244 thousand.

In accordance with information in the possession of Budimex SA, the total value of legal proceedings in progress in respect of liabilities of Budimex SA and its subsidiaries as at 30 June 2018 was PLN 312 840 thousand. These proceedings involve the Group companies' operating activity.

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

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

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

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

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

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

Conclusion of the settlement confirms the amicable solution by the parties of the contract linking them and ending any disputes related to its implementation.

In the opinion of the Management Board of Budimex SA, the settlement is beneficial for both parties to the dispute and may have a positive impact on the financial result of Budimex SA, which will be accurately estimated in the third quarter of 2018, after the final settlement of the contract by the leader, Ferrovial Agroman SA.

On 24 July 2017, Muzeum Śląskie in Katowice filed a claim against Budimex SA and Ferrovial Agroman SA, operating as a consortium, in connection with the performance of the contract called „Construction of new premises of Muzeum Śląskie in Katowice” concluded on 7 June 2011. The claimant requested that either the amount of PLN 122 758 thousand, together with statutory interest calculated as of the date of claim filing, was awarded jointly and severally against the defendants towards undue performance of the contract, or the defendants were ordered to reduce contract transaction price by the amount of PLN 34 675 thousand being the reimbursement of the unfairly, as stated by the claimant, paid contract consideration. Art. 471 of the Civil Code was named as the basis for the principal claim, while the provisions of contractor warranty for defects in the constructed facility – for the alternative claim (*żądanie ewentualne*).

In the opinion of the Management Board of Budimex SA, the claim is unjustified. The irregularities, if any, which the claimant names as the basis for its action do not result from contract performance or undue performance by the

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consortium. In addition, due contract performance was confirmed by the claimant by the issued Certificate of Acquisition and Certificate of Completion of premises of Muzeum Śląskie in Katowice. In the opinion of the Management Board, the reported provisions cover the risks related to contract performance. Budimex SA filed its reply to said claim on 31 October 2017. It was supplemented by Budimex SA in January 2018. At the same time, the court attempted to deliver a copy of the claim to Ferrovia Agroman SA. As at the date of the report, it was not possible to successfully deliver a copy of the claim to Ferrovia Agroman SA.

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

As at the date of the preparation of these consolidated financial statements, the final outcome of the remaining proceedings is not known. For all legal proceedings, which according to the Group's assessment many finish in an unfavourable way, provisions were created in the amount including the risk estimated by the Group.

The total value of legal proceedings pending in respect of claims of Budimex SA and its subsidiaries amounted to PLN 125 596 thousand as at 30 June 2018. The proceedings relate mainly to the recovery of overdue receivables from business partners and to additional claims in respect of the construction work performed. Apart from the case brought to court by the FBL Consortium against PPL and further concluded with the settlement of 8 August 2018, the value of no other proceedings concerning claims is material. As at the date of these consolidated financial statements, the final outcome of the proceedings is not known.

13. Contingent assets and contingent liabilities

	30 June 2018	31 December 2017
<u>Contingent assets</u>		
From related parties, of which:		
– guarantees and sureties received	-	-
– bills of exchange received as security	-	-
From related parties, total	-	-
From other entities		
– guarantees and sureties received	619 404	589 062
– bills of exchange received as security	3 206	3 628
From other entities, total	622 610	592 690
Other contingent assets	12 000	14 768
Total contingent assets	634 610	607 458
<u>Contingent liabilities</u>		
To related parties, of which:		
– guarantees and sureties issued	2 814	2 814
– promissory notes issued as performance bond	-	-
To related parties, total	2 814	2 814
To other entities, of which:		
– guarantees and sureties issued	3 822 534	3 821 829
– promissory notes issued as performance bond	23 694	16 141
To other entities, total	3 846 228	3 837 970
Other contingent liabilities	134 381	134 381
Total contingent liabilities	3 983 423	3 975 165
Total contingent items	(3 348 813)	(3 367 707)

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

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

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

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

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

Name of the company which issued a guarantee or surety	Name of the (company) entity which received a surety or a guarantee	Total value of guarantees or sureties issued	Period of guarantees or sureties issuance	Financial conditions in respect of guarantees and sureties issued	Type of relations between Budimex SA and the entity which took out a guarantee or surety
Budimex SA	Mostostal Kraków SA	184 826	2025-08-13	against payment	subsidiary
Budimex SA	Budimex Budownictwo Sp. z o.o.	116 249*	2026-12-23	free of charge	subsidiary
Budimex SA	Budimex Nieruchomości Sp. z o.o.	12 181	2020-02-17	against payment	subsidiary
Budimex SA	Budimex Bau GmbH	84	2018-12-31	free of charge	subsidiary
Budimex SA	Budimex Kolejnictwo SA	15 126	2025-10-31	against payment	subsidiary
Budimex SA	FBSerwis SA	1 551	2020-10-30	against payment	associate
Budimex Budownictwo Sp. z o.o.	FBSerwis SA	1 263	2018-11-16	against payment	associate
TOTAL		331 280			

*sureties were issued for contracts realised by Budimex SA

Guarantees and sureties issued by Budimex SA and its subsidiaries as at 31 December 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	207 830	2025-08-13	against payment	subsidiary
Budimex SA	Budimex Kolejnictwo SA	16 107	2025-10-31	against payment	subsidiary
Budimex SA	Budimex Bau GmbH	81	2018-12-31	free of charge	subsidiary
Budimex SA	Budimex Budownictwo Sp. z o.o.	112 075*	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	FBSerwis SA	1 551	2020-10-30	against payment	associate
Budimex Budownictwo Sp. z o.o.	FBSerwis SA	1 263	2018-11-16	against payment	associate
TOTAL		349 017			

*sureties were issued for contracts realised by Budimex SA

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

Warsaw, 28 August 2018

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