



**THE BUDIMEX GROUP**

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**for 1 quarter of 2017**

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

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(all amounts are expressed in PLN thousand)

**Consolidated statement of financial position**

<b>ASSETS</b>	<b>31 March 2017</b>	<b>31 December 2016</b>
<b>Non-currents (long-term) assets</b>		
Property, plant and equipment	137 335	114 674
Investment properties	25 545	25 581
Intangible assets	28 913	29 926
Goodwill of subordinated entities	73 237	73 237
Investments in equity accounted entities	40 945	43 427
Available-for-sale financial assets	9 396	9 396
Retentions for construction contracts	24 554	23 333
Trade and other receivables	34 724	36 256
Receivables from service concession agreement	46 180	46 096
Other financial assets	16 588	10 035
Deferred tax assets	440 066	444 975
<b>Total non-current (long-term) assets</b>	<b>877 483</b>	<b>856 936</b>
<b>Current (short-term) assets</b>		
Inventories	1 344 824	1 183 649
Trade and other receivables	520 263	516 720
Retentions for construction contracts	31 733	30 818
Amounts due and receivable from customers under construction contracts	399 793	288 456
Current tax assets	10 508	194
Other financial assets	100 509	1 758
Cash and cash equivalents	2 030 397	2 715 134
<b>Total current (short-term) assets</b>	<b>4 438 027</b>	<b>4 736 729</b>
<b>TOTAL ASSETS</b>	<b>5 315 510</b>	<b>5 593 665</b>

**The BUDIMEX Group**

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(all amounts are expressed in PLN thousand)

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

<b>EQUITY AND LIABILITIES</b>	<b>31 March 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	5 096	5 525
Retained earnings	643 936	558 116
<b>Total shareholders' equity attributable to the shareholders of the Parent</b>	<b>886 768</b>	<b>801 377</b>
Equity attributable to non-controlling interests	1 458	4 443
<b>Total equity</b>	<b>888 226</b>	<b>805 820</b>
<b>Liabilities</b>		
<b>Non-current (long-term) liabilities</b>		
Loans, borrowings and other external sources of finance	82 555	62 333
Retentions for construction contracts	207 198	206 147
Provision for long-term liabilities and other charges	206 800	210 303
Retirement benefits and similar obligations	7 937	7 937
Other financial liabilities	3 789	1 984
<b>Total non-current (long-term) liabilities</b>	<b>508 279</b>	<b>488 704</b>
<b>Current (short-term) liabilities</b>		
Loans, borrowings and other external sources of finance	20 245	20 276
Trade and other payables	1 309 478	1 520 870
Retentions for construction contracts	185 695	186 244
Amounts due and payable to customers under construction contracts	1 146 901	1 352 639
Deferred income	1 082 403	1 002 017
Provision for short-term liabilities and other charges	169 083	161 835
Current tax liability	713	52 820
Retirement benefits and similar obligations	1 422	1 422
Other financial liabilities	3 065	1 018
<b>Total current (short-term) liabilities</b>	<b>3 919 005</b>	<b>4 299 141</b>
<b>Total liabilities</b>	<b>4 427 284</b>	<b>4 787 845</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>5 315 510</b>	<b>5 593 665</b>

## The BUDIMEX Group

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

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(all amounts are expressed in PLN thousand)

### Consolidated income statement

	3-month period ended 31 March	
	2017	2016
<b>Continuing operations</b>		
Net sales of finished goods, goods for resale, raw materials and services	1 052 740	987 654
Cost of finished goods, goods for resale, raw materials and services sold	(889 730)	(872 665)
<b>Gross profit on sales</b>	<b>163 010</b>	<b>114 989</b>
Selling expenses	(7 624)	(7 018)
Administrative expenses	(52 767)	(49 702)
Other operating income	14 170	21 571
Other operating expenses	(6 439)	(16 945)
<b>Operating profit</b>	<b>110 350</b>	<b>62 895</b>
Finance income	10 202	14 453
Finance costs	(11 207)	(10 001)
Share in net (losses) of equity accounted subordinates	(2 482)	(1 206)
<b>Gross profit</b>	<b>106 863</b>	<b>66 141</b>
Income tax	(21 610)	(14 224)
<b>Net profit from continuing operations</b>	<b>85 253</b>	<b>51 917</b>
<b>Net profit for the period</b>	<b>85 253</b>	<b>51 917</b>
<i>of which:</i>		
<b>Attributable to the shareholders of the Parent</b>	<b>85 158</b>	<b>51 542</b>
<i>Attributable to non-controlling interests</i>	<i>95</i>	<i>375</i>
<i>Basic and diluted earnings per share attributable to the shareholders of the Parent (in PLN)</i>	<i>3,34</i>	<i>2.02</i>

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(all amounts are expressed in PLN thousand)

**Consolidated statement of comprehensive income**

	3-month period ended 31 March	
	2017	2016
<b>Net profit for the period</b>	<b>85 253</b>	<b>51 917</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	(429)	(80)
<b>Other comprehensive income</b>	<b>(429)</b>	<b>(80)</b>
<b>Total comprehensive income for the period</b>	<b>84 824</b>	<b>51 837</b>
<i>Of which:</i>		
<b>Attributable to the shareholders of the Parent</b>	<b>84 729</b>	<b>51 462</b>
<i>Attributable to non-controlling interests</i>	95	375

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(all amounts are expressed in PLN thousand)

**Consolidated statement of changes in equity**

	Equity attributable to the shareholders of the Parent						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	-	-	-	-	-	85 158	85 158	95	<b>85 253</b>
Other comprehensive income	-	-	-	-	(429)	-	(429)	-	<b>(429)</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(429)</b>	<b>85 158</b>	<b>84 729</b>	<b>95</b>	<b>84 824</b>
Share-based payments	-	-	-	-	-	-	-	-	-
Increase in share in subsidiaries	-	-	-	-	-	662	<b>662</b>	(3 080)	<b>(2 418)</b>
<b>Balance as at 31 March 2017</b>	<b>145 848</b>	<b>87 163</b>	<b>7 171</b>	<b>(2 446)</b>	<b>5 096</b>	<b>643 936</b>	<b>886 768</b>	<b>1 458</b>	<b>888 226</b>

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(all amounts are expressed in PLN thousand)

### 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	-	-	-	-	-	51 542	51 542	375	51 917
Other comprehensive income	-	-	-	-	(80)	-	(80)	-	(80)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(80)</b>	<b>51 542</b>	<b>51 462</b>	<b>375</b>	<b>51 837</b>
Share-based payments	-	-	(178)	-	-	-	(178)	-	(178)
<b>Balance as at 31 March 2016</b>	<b>145 848</b>	<b>87 163</b>	<b>7 171</b>	<b>(2 548)</b>	<b>5 345</b>	<b>407 511</b>	<b>650 490</b>	<b>4 293</b>	<b>654 783</b>
Profit for the period	-	-	-	-	-	358 309	358 309	250	358 559
Other comprehensive income	-	-	-	102	180	-	282	11	293
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>102</b>	<b>180</b>	<b>358 309</b>	<b>358 591</b>	<b>261</b>	<b>358 852</b>
Dividends	-	-	-	-	-	(207 815)	(207 815)	-	(207 815)
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>



## The BUDIMEX Group

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(all amounts are expressed in PLN thousand)

### Consolidated statement of cash flows

	3-month period ended 31 March	
	2017	2016
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit before tax	106 863	66 141
<b>Adjustments for:</b>		
Depreciation/ amortization	8 502	6 122
Share in net losses of equity accounted companies	2 482	1 206
Foreign exchange (gains)/ losses	930	217
Interest and shares in profits (dividends)	(39)	394
(Profit)/ loss on investing activities	144	(83)
Change in valuation of derivative financial instruments	(2 517)	(1 352)
Change in provisions and liabilities arising from retirement benefits and similar obligations	3 745	(1 891)
Other adjustments	(303)	(210)
<b>Operating profit/ (loss) before changes in working capital</b>	<b>119 807</b>	<b>70 544</b>
Change in receivables and retentions for construction contracts	(3 543)	(97 770)
Change in inventories	(161 175)	(47 970)
Change in retentions for construction contracts and in liabilities, except for loans and borrowings	(212 869)	(13 192)
Change in deferred income	80 386	26 197
Change in amounts due and receivable under construction contracts	(317 075)	(111 906)
Change in cash and cash equivalents of restricted use	(48 988)	88 826
<b>Cash flow used /from operating activities</b>	<b>(543 457)</b>	<b>(85 271)</b>
Income tax paid	(79 239)	(87 684)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(622 696)</b>	<b>(172 955)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of intangible assets and property, plant and equipment	36	250
Purchase of intangible assets and property, plant and equipment	(3 696)	(3 872)
Share capital increase in consolidated subsidiaries	(1 520)	-
Share capital increase in non-consolidated subsidiaries	-	(150)
Purchase of held-to-maturity financial assets	(98 965)	-
Loans granted	-	(6 860)
Interest received	129	1 612
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(104 016)</b>	<b>(9 020)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of loans and borrowings	(256)	(225)
Repayment of finance lease liabilities	(4 670)	(3 140)
Interest paid	(573)	(439)
Other finance expenditure	(161)	(161)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(5 660)</b>	<b>(3 965)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(732 372)</b>	<b>(185 940)</b>
Foreign exchange differences, net	(1 353)	(203)
<b>CASH AND CASH EQUIVALENTS - OPENING BALANCE (note 3.4)</b>	<b>2 524 033</b>	<b>2 184 077</b>
<b>CASH AND CASH EQUIVALENTS - CLOSING BALANCE (note 3.4)</b>	<b>1 790 308</b>	<b>1 997 934</b>

## The BUDIMEX Group

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

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

#### 1.1. The Parent Company

The parent company of the Budimex Group is Budimex SA (the „Parent Company”), which main area of business 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 31 March 2017, 31 December 2016 and 31 March 2016 the following subsidiaries were subject to consolidation:

Company name	Registered office	% in the share capital as at		
		31 March 2017	31 December 2016	31 March 2016
Mostostal Kraków SA	Cracow / Poland	100.00%	100.00%	100.00%
Budimex Bau GmbH	Cologne/ Germany	100.00%	100.00%	100.00%
Budimex Nieruchomości Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
Budimex Budownictwo Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
SPV-BN 1 Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
Poznańskie Przedsiębiorstwo Inwestycyjne Sp. z o.o.	Warsaw / Poland	-	-	100.00%
Budimex Kolejnictwo SA	Warsaw / Poland	100.00%	100.00%	100.00%
Budimex Parking Wrocław Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
Elektromontaż Poznań SA Group	Poznań / Poland	97.53%	92.31%	92.31%

Stand-alone data of Budimex SA and other Group companies, which are partners in consortiums (treated as joint operations according to IFRS 11), includes their share in assets, liabilities, revenue and expenses of the following joint operations:

Joint operation	share
Budimex SA Budimex Budownictwo Sp. z o.o. s.c.	100,00%
Budimex SA Energetyka 1 Sp.j.	100,00%
Budimex SA Ferrovia Agroman SA s.c.	99,98%
Budimex SA Ferrovia Agroman SA 2 s.c.	95,00%
Budimex SA Sygnity SA Sp. j.	67,00%
Budimex SA Cadagua SA III s.c.	60,00%
Budimex SA Cadagua SA IV s.c.	60,00%
Budimex SA Cadagua SA V s.c.	60,00%
Budimex SA Ferrovia Agroman SA Sp. j.	50,00%
Budimex SA Cadagua SA II s.c.	50,00%
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%

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

In the 3-month period ended 31 March 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. Since the buyout was performed with 623 transactions, it was included in the books as at 31 March 2017. 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.

As at 31 March 2017 Budimex SA already paid PLN 1 520 thousand and presented the remaining balance in the short-term liabilities.

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 27 April 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	1 720 000	6.74%	1 720 000	6.74%
Nationale-Nederlanden OFE	ordinary	1 376 939	5.39%	1 376 939	5.39%
Other shareholders	ordinary	8 355 000	32.73%	8 355 000	32.73%
<b>Total</b>		<b>25 530 098</b>	<b>100.00%</b>	<b>25 530 098</b>	<b>100.00%</b>

The above data present the shareholders' structure as at 4 April 2017, when Valivala Holdings B.V. informed about sale of 1 000 000 of shares to Nationale-Nederlanden OFE, decreasing its share from 59.06% down to 55.14% of share capital. The amount of shares held by Aviva OFE Aviva BZ WBK was reported as at 26 April 2016 when the last AGM took place.

## 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.

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### **Amendments to 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.

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

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

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

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

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

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

- IFRS 14 „Regulatory Deferral Accounts” (the EU has decided to suspend the endorsement process),
- IFRS 16 „Leases” (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IFRS 2 „Share-based Payment” – *Classification and Measurement of Share-based Payment Transactions* (effective for annual periods beginning on or after 1 January 2018),
- Amendments to IFRS 4 „Insurance Contracts” – *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* (effective for annual periods beginning on or after 1 January 2018 or upon first-time application of IFRS 9 “Financial Instruments”),
- Amendments to IFRS 10 „Consolidated Financial Statements” and IAS 28 „Investments in Associates and Joint Ventures” – *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* (the EU suspended the endorsement process for an indefinite period of time),
- Amendments to IAS 7 „Statement of Cash Flows” – *Disclosure Initiative* (effective for annual periods beginning on or after 1 January 2017),
- Amendments to IAS 12 „Income Taxes” – *Recognition of Deferred Tax Assets for Unrealised Losses* (effective for annual periods beginning on or after 1 January 2017),
- Explanations to IFRS 15 „Revenue from Contracts with Customers” (effective for annual periods beginning on or after 1 January 2018),
- Annual Improvements to IFRSs (Cycle 2014-2016) – improvements to IFRS 1, IFRS 12 and IAS 28, mainly with a view to removing inconsistencies and ensuring wording clarification (amendments to IFRS 12 are effective for annual periods beginning on or after 1 January 2017, while the amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018),
- Amendments to 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).

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. These changes are, however, to offset so that the implementation of IFRS 16 will not bear any material impact on Group’s net result. The remaining standards, standards amendments or improvements and the IFRIC Interpretation would not have any material impact on the consolidated financial statements, had these been applied by the Group at the reporting date.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose policies have not been adopted for use by the EU, is still unregulated. The Group does not apply hedge accounting to its portfolio of financial assets and financial liabilities and therefore any potential changes thereto would not have any impact on the consolidated financial statements of the Group.

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

In the period covered by the report for the Budimex Group applied for the first time IFRS 15 „Revenue from Contracts with Customers” and Amendments to IFRS 15 – “Effective date of IFRS 15”. The Group decided to apply the standard retrospectively with a total impact of the first application reported as at that day. According to the best estimations of 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 31 March 2017 no adjustment was made which would be presented in the retained earnings.

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

### 3.3. Translation of selected financial data into euro

Selected financial data was translated into euro in accordance with the following rules:

- individual asset, liability and equity items – using the average exchange rate prevailing as at 31 March 2017 – 4.2198 PLN/EUR,
- individual profit and loss account and statement of cash flow items for the first quarter of 2017 – using the exchange rate being an arithmetic average of average exchange rates established by the National Bank of Poland for the last day of each ended month for the period from 1 January 2017 to 31 March 2017 – 4.2891 PLN/EUR,
- individual asset, liability and equity items of comparative financial data for the year 2016 – using the average exchange rate prevailing as at 31 December 2016 – 4.4240 PLN/EUR,
- individual profit and loss account and statement of cash flow items of comparative financial data for the first quarter of 2016 - using the exchange rate being an arithmetic average of average exchange rates established by the National Bank of Poland for the last day of each ended month for the period from 1 January 2016 to 31 March 2016 – 4.3559 PLN/EUR.

### 3.4. 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.

	31 March 2017	31 December 2016	31 March 2016
<b>Cash recognised in the statement of financial position</b>	<b>2 030 397</b>	<b>2 715 134</b>	<b>2 138 157</b>
Cash and cash equivalents of restricted use	(240 089)	(191 101)	(140 223)
<b>Cash recognised in the statement of cash flow</b>	<b>1 790 308</b>	<b>2 524 033</b>	<b>1 997 934</b>

## 4. Descriptions of factors and events which had a material effect on the financial result of the Budimex Group for the first quarter 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 3-month period ended 31 March 2017, the Budimex Group earned sales revenue of PLN 1 052 740 thousand which means a 6.59% increase on the corresponding period of 2016.

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

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In the first quarter of 2017 construction-assembly production in Poland expressed in current prices increased by 4.3% (an increase by 3.9% 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 4.73% on the corresponding period.

Gross profit on sales in the first quarter of 2017 was PLN 163 010 thousand, while in the corresponding period of the prior year it amounted to PLN 114 989 thousand. The gross sales profitability ratio was therefore 15.48% in the first quarter of 2017, while in the first quarter of 2016 was 11.64%.

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 31 March 2017, the balance of the provision for contract losses amounted to PLN 391 699 thousand. In the first quarter of 2017, the balance of provision for contract losses decreased by PLN 16 756 thousand.

The Budimex Group companies are required to issue a warranty for the construction services rendered. As at 31 March 2017 the provision for warranty amounted to PLN 285 285 thousand. In the 3-month period ended 31 March 2017 the balance of the provision for warranty increased by PLN 6 578 thousand.

Selling expenses increased in the first quarter of 2017 by PLN 606 thousand compared to the corresponding period of the prior year, while administrative expenses were PLN 3 065 thousand higher than expenses incurred in the corresponding period of 2016. The share of selling and administrative expenses in total sales was at the same level as in the first quarter of 2016 and amounted to 5,74%.

Other operating income for the first quarter of 2017 was PLN 14 170 thousand and comprised: gain on valuation 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 3 069 thousand, income from compensations and contractual penalties in the amount of PLN 3 834 thousand and reversal of provisions for lawsuits in the amount of PLN 2 583 thousand. Reversed write-off for receivables due to repayment by debtors amounted to PLN 2 216 thousand. The write-off for overdue liabilities amounted to PLN 1 212 thousand. Additionally, in the period of three months of 2017 Group companies disposed of property, plant and equipment and reported a gain on sale of PLN 35 thousand. The net book value of the property, plant and equipment sold amounted to PLN 0 thousand.

Other operating expenses for the first quarter of 2017 amounted to PLN 6 439 thousand, of which PLN 4 583 thousand related to creation of write-off for receivables, PLN 760 thousand to compensations and contractual penalties paid out and PLN 499 thousand – to donations.

The reported operating profit of the Group in the first quarter of 2017 was PLN 110 350 thousand, while in the first quarter of 2016 it amounted to PLN 62 895 thousand. The operating profit for the first quarter of 2017 represented 10.48% of sales revenue value, while for the corresponding period of the prior year – 6.37% of sales revenue.

In the 3-month period ended 31 March 2017 the Group incurred a loss on finance activities in the amount of PLN 1 005 thousand while in the same period of the prior year – gain in the amount of PLN 4 452 thousand. Finance income in the first quarter of 2017 represented mainly interest of PLN 9 328 thousand, valuation of receivables from service concession agreement of PLN 731 thousand, reversal of discount of long-term receivables in the amount of PLN 102 thousand and gain on valuation of interest rate swap derivative instrument contracts (made with a view to limiting the interest risk) in the amount of PLN 41 thousand.

Finance costs in the first quarter of 2017 represented, among others, interest costs of PLN 1 060 thousand, bank commissions on guarantees and loans of PLN 5 800 thousand paid by Group companies and costs from discount of long-term retention receivables and liabilities of PLN 2 370 thousand. During the first quarter of 2017 the Group incurred a loss on realization of interest rate swap derivative instrument in the amount of PLN 161 thousand. Surplus of negative exchange rate differences over positive differences in the amount of PLN 1 816 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 3 months ended 31 March 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.

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

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In the first quarter of 2017, the Group reported a gross profit of PLN 106 863 thousand, while in the corresponding period of the prior year – a gross profit of PLN 66 141 thousand.

Income tax for the 3-month period ended 31 March 2017 was PLN 21 610 thousand, of which:

- current tax was PLN 16 686 thousand,
- deferred tax in the amount of PLN 4 924 thousand.

As at 31 March 2017, the Group recognized a deferred tax asset in the amount of PLN 440 066 thousand, while as at 31 December 2016 – PLN 444 975 thousand. The reported statement of financial position items of deferred tax asset result mainly from a special method of settlement of construction contracts, under which the moment of recognition of costs as incurred and revenue as realized are different from the tax and accounting perspectives.

The net profit attributable to the shareholders of the Budimex SA for the first quarter of 2017 was PLN 85 158 thousand, while the net profit attributable to the shareholders of the Budimex SA for the corresponding period of 2016 was PLN 51 542 thousand.

The net profit attributable to non-controlling interest for the first quarter of 2017 amounted to PLN 95 thousand. In the corresponding period of 2016, the net profit attributable to non-controlling interest amounted to PLN 375 thousand.

In the 3-month period of 2017 the Group reversed the write-off for inventory in the amount of PLN 3 175 thousand. The reversal decreased the costs of finished goods, goods for resale, raw materials and services sold. At the same time the Group did not create any new write-offs for inventory.

Another transaction of significant value during the first 3 months of 2017 was the purchase of short-term bonds of one of Polish mortgage banks amounting to PLN 98 965 thousand. The bonds were classified as financial assets held-to-maturity.

In the first quarter of 2017, the Group purchased or started to lease property, plant and equipment and intangible assets with a total value of PLN 30 344 thousand, of which plant and machinery accounted for PLN 9 071 thousand.

The contractual obligations made by the Group for the purchase of property, plant and equipment amounted to PLN 75 937 thousand as at 31 March 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
- 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.
- Poznańskie Przedsiębiorstwo Inwestycyjne Sp. z o.o. (until the merger with Budimex Nieruchomości Sp. z o.o. on 14 April 2016 )
- 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

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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 quarter 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	921 104	100 671	30 965	-	1 052 740
Inter-segment sales	69 462	281	10 640	(80 383)	-
<b>Total sales of finished goods, goods for resale and raw materials</b>	<b>990 566</b>	<b>100 952</b>	<b>41 605</b>	<b>(80 383)</b>	<b>1 052 740</b>
<b>Gross profit</b>	<b>140 117</b>	<b>19 606</b>	<b>5 307</b>	<b>(2 020)</b>	<b>163 010</b>
Selling expenses	(2 447)	(3 967)	(1 224)	14	(7 624)
Administrative expenses	(49 003)	(4 933)	(1 410)	2 579	(52 767)
Other operating income, net	6 792	504	435	-	7 731
<b>Operating profit</b>	<b>95 459</b>	<b>11 210</b>	<b>3 108</b>	<b>573</b>	<b>110 350</b>
Finance income/(costs), net	(1 842)	830	7	-	(1 005)
Shares in (losses) of equity accounted subordinates	-	-	(2 482)	-	(2 482)
Income tax expense	(18 612)	(2 392)	(497)	(109)	(21 610)
<b>Net profit for the period</b>	<b>75 005</b>	<b>9 648</b>	<b>136</b>	<b>464</b>	<b>85 253</b>

The results of segments for the first quarter 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	861 710	77 915	48 029	-	987 654
Inter-segment sales	68 203	288	3 701	(72 192)	-
<b>Total sales of finished goods, goods for resale and raw materials</b>	<b>929 913</b>	<b>78 203</b>	<b>51 730</b>	<b>(72 192)</b>	<b>987 654</b>
<b>Gross profit</b>	<b>90 104</b>	<b>18 769</b>	<b>8 528</b>	<b>(2 412)</b>	<b>114 989</b>
Selling expenses	(2 729)	(3 167)	(1 135)	13	(7 018)
Administrative expenses	(46 211)	(4 309)	(1 471)	2 289	(49 702)
Other operating income, net	3 058	24	1 544	-	4 626
<b>Operating profit</b>	<b>44 222</b>	<b>11 317</b>	<b>7 466</b>	<b>(110)</b>	<b>62 895</b>
Finance income/(costs), net	3 978	1 200	(726)	-	4 452
Shares in (losses) of equity accounted subordinates	(2)	-	(1 204)	-	(1 206)
Income tax expense	(10 591)	(2 400)	(1 255)	22	(14 224)
<b>Net profit for the period</b>	<b>37 607</b>	<b>10 117</b>	<b>4 281</b>	<b>(88)</b>	<b>51 917</b>



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### 6. Revenue from contracts with customers by categories

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

In the first quarter of 2017 the revenue from contracts with customers by type of product or service was 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	969 423	-	39 088	(77 753)	<b>930 758</b>
Revenue from sale of other services	4 748	910	2 151	(2 630)	<b>5 179</b>
Revenue from sale of finished goods	15 394	100 042	357	-	<b>115 793</b>
Revenue from sale of goods for resale and raw materials	1 001	-	9	-	<b>1 010</b>
<b>Total sales of finished goods, goods for resale and raw materials</b>	<b>990 566</b>	<b>100 952</b>	<b>41 605</b>	<b>(80 383)</b>	<b>1 052 740</b>

In the first quarter of 2016 the revenue from contracts with customers by type of product or service was 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	921 308	-	49 393	(69 867)	<b>900 834</b>
Revenue from sale of other services	3 425	1 052	2 121	(2 325)	<b>4 273</b>
Revenue from sale of finished goods	4 273	77 151	101	-	<b>81 525</b>
Revenue from sale of goods for resale and raw materials	907	-	115	-	<b>1 022</b>
<b>Total sales of finished goods, goods for resale and raw materials</b>	<b>929 913</b>	<b>78 203</b>	<b>51 730</b>	<b>(72 192)</b>	<b>987 654</b>

#### 6.2. Revenue by geographic area

In the first quarter of 2017 the revenue from contracts with customers by geographic area was as follows:

Segment name	Construction business	Property management and developer business	Other business	Consolidation adjustments	Consolidated value
Poland	932 359	100 952	40 702	(80 383)	<b>993 630</b>
Germany	47 860	-	88	-	<b>47 948</b>
Other EU countries	9 431	-	-	-	<b>9 431</b>
Other countries*	916	-	815	-	<b>1 731</b>
<b>Total sales of finished goods, goods for resale and raw materials</b>	<b>990 566</b>	<b>100 952</b>	<b>41 605</b>	<b>(80 383)</b>	<b>1 052 740</b>

\*other countries include Ukraine and Russia

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In the first quarter of 2016 the revenue from contracts with customers by geographic area was as follows:

Segment name	Construction business	Property management and developer business	Other business	Consolidation adjustments	Consolidated value
Poland	890 250	78 203	51 181	(72 192)	947 442
Germany	37 899	-	-	-	37 899
Other EU countries	352	-	-	-	352
Other countries*	1 412	-	549	-	1 961
<b>Total sales of finished goods, goods for resale and raw materials</b>	<b>929 913</b>	<b>78 203</b>	<b>51 730</b>	<b>(72 192)</b>	<b>987 654</b>

\*other countries include Ukraine and Russia

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

Revenue from contracts with customers of the operating segment „construction business”, which is the most significant one in the Group, were additionally split by construction type. The data for the first quarter of 2017 and the first quarter of 2016 was as follows:

Type of construction	Total sales of finished goods, goods for resale and raw materials for a 3-month period ended:	
	31 March 2017	31 March 2016
Civil engineering (infrastructure)	400 559	466 145
General construction, of which:	590 007	463 768
- non-residential	415 901	312 033
- residential	174 106	151 735
<b>Total sales of finished goods, goods for resale and raw materials – segment „Construction business”</b>	<b>990 566</b>	<b>929 913</b>

## 7. Related party transactions

Transactions with related parties made in the first quarter of 2017 and in the first quarter of 2016 and unsettled balances of receivables and liabilities as at 31 March 2017 and 31 December 2016 are presented in the tables below:

	Receivables		Liabilities	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016
Parent Company and related parties (the Ferrovia Group)	20 638	20 472	99 723	95 843
Jointly-controlled entities	3 544	8 890	740	665
Associates	304	357	1 535	1 537
Other related entities – non-consolidated subsidiaries*	-	-	623	623
Other related entities – other*	8	7	-	-
Other related entities – through key personnel*	-	-	-	-
<b>Total settlements with related parties</b>	<b>24 494</b>	<b>29 726</b>	<b>102 621</b>	<b>98 668</b>

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	Loans granted / acquired debt securities		Loans taken out / issued debt securities	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016
Parent Company and related parties (the Ferrovial Group)	-	-	8 757	9 165
Jointly-controlled entities	-	-	-	-
Associates	9 163	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>9 163</b>	<b>9 163</b>	<b>8 757</b>	<b>9 165</b>

	Sales of finished goods and services		Purchase of finished goods and services	
	3-month period ended 31 March		3-month period ended 31 March	
	2017	2016	2017	2016
Parent Company and related parties (the Ferrovial Group)	19	2 112	(11 032)	(12 220)
Jointly-controlled entities	7 042	87	(10)	(89)
Associates	321	170	(1 287)	(1 217)
Other related entities – non-consolidated subsidiaries*	60	60	-	-
Other related entities – other*	-	-	-	-
Other related entities – through key personnel*	-	-	-	-
<b>Total transactions with related parties</b>	<b>7 442</b>	<b>2 429</b>	<b>(12 329)</b>	<b>(13 526)</b>

	Finance income		Finance costs	
	3-month period ended 31 March		3-month period ended 31 March	
	2017	2016	2017	2016
Parent Company and related parties (the Ferrovial Group)	-	-	(15)	(18)
Jointly-controlled entities	-	-	-	-
Associates	129	57	-	-
Other related entities – non-consolidated subsidiaries*	-	-	-	-
Other related entities – other*	-	-	-	-
Other related entities – through key personnel*	-	-	-	-
<b>Total transactions with related parties</b>	<b>129</b>	<b>57</b>	<b>(15)</b>	<b>(18)</b>

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

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

### **8. Factors which will affect results achieved by the Group in a period covering at least the next 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, which might have influence on quality and timeliness of the works performed,

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- fluctuations of exchange rates, which have the impact on the sales revenue, operating costs and result of the valuation and realisation of derivative financial instrument contracts,
- price level of material and construction services affecting the amount of direct costs of realised contracts,
- intensification of actions aimed at recovery of overdue debts, which were provided for and strengthening the operational and financial control in respect of contracts realised,
- results of the pending legal proceedings, described in more detail in note 13 to these consolidated financial statements,
- availability of qualified employees,
- level of competition in public tenders,
- legislative changes affecting the pace of spending of EU funds and the level of competitiveness of general contractors.

As at 31 March 2017 the backlog was PLN 9 305 283 thousand. The value of contracts signed between January and March 2017 was PLN 1 269 092 thousand. The number of pre-sold apartments in the period from January - March 2017 (without booking) is 392 units.

### 9. The main events in the first quarter of 2017 and significant events after 31 March 2017

In the first quarter of 2017 the Budimex Group companies were notified about the selection of their offer or entered into the following contracts:

#### **Significant contracts:**

Date of the first current report	Customer	Contract value	Description
24.01.2017	PKP Polskie Linie Kolejowe SA	216 678 (71 504)*	Selection of the bid of the consortium of: Budimex SA (consortium partner with 33% of shares), Grupa Strabag Sp. z o.o. (consortium leader with 34% of shares; it consists of the following companies: Strabag Rail GmbH, Strabag Rail a.s., Strabag Általános Építő Kft.), ZUE SA (consortium partner with 33% of shares) for developing a construction and detailed design for executing the LOT B works in the "Design and Construction" formula under the Operational Programme Infrastructure and Environment 5.1-3 "Modernization of the railway No 8, Warszawa Okęcie - Radom (LOT A, B, F) section - Stage II" project. The contract was signed on 11 April 2017.
13.02.2017	PKP Polskie Linie Kolejowe SA	560 012 (184 804)	Selection of the bid of the consortium of Budimex SA (consortium partner, 33%), ZUE SA and Strabag Group companies (Strabag Sp. z o.o., Strabag Rail A.S., Strabag Rail GmbH, Strabag Általános Építő Kft) for the performance of civil works in LCS Kutno – Żychlin-Barłogi section under project named "Works on the E20 railway line at the Warszawa – Poznań section – other works, Sochaczew – Swarzędz section" implemented under the Connecting Facility Europe (CEF) EU financial instrument. The contract was signed on 5 April 2017.
17.02.2017	PKP Polskie Linie Kolejowe SA	159 700 (54 298)*	Signature of the contract for the design and construction works for the "Works on the ring road in Warsaw (Warszawa Gołębki/Warszawa Zachodnia – Warszawa Gdańska section)" project by the consortium of Budimex SA (consortium leader, 34%), ZUE SA (consortium partner 33%) and Strabag Group companies (consortium partner 33%, including: Strabag Sp. z o.o., Strabag Rail A.S., Strabag Rail GmbH, Strabag Általános Építő Kft).

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Date of the first current report	Customer	Contract value	Description
10.03.2017	PKP Polskie Linie Kolejowe SA	389 624	Selection of the bid from the consortium of Budimex Budownictwo Sp. z o.o. (a wholly owned subsidiary of Budimex SA) – the leader of the consortium with the share of 95% and Ferrovial Agroman SA – the consortium partner with the share of 5% for the execution of the works on the railway line No 7 Warszawa Wschodnia Osobowa – Dorohusk, along the section Warszawa-Otwock-Dęblin-Lublin Phase I – in the scope of a partial order A – execution of the modernisation on the railway line No 7 along the Otwock-Pilawa section in km 26.050-km 55.600.
10.03.2017	PKP Polskie Linie Kolejowe SA	597 411 (268 835)*	Selection of the bid from the consortium of Mostostal Kraków (a wholly subsidiary of Budimex SA) – the leader of the consortium with the share of 45%, PKP Energetyka SA - partner and Schweerbau GmbH & Co.KG Bauunternehmen, for the execution of the works on the railway line No 7 Warszawa Wschodnia Osobowa – Dorohusk, along the section Warszawa-Otwock-Dęblin-Lublin Phase I – in the scope of a partial order B – execution of the modernisation on the railway line No 7 along the Otwock-Lublin section in km 55.600-km 107.283.
17.03.2017	Trasa Łagiewnicka SA	652 194	Signature of the contract for the construction of Trasa Łagiewnicka in Kraków from the intersection of ul. Grota – Roweckiego to the intersection of ul. Beskidzka and ul. Halszki, along with the construction of the tram line section by the consortium of Budimex SA (the leader – the share of 95%) and Ferrovial Agroman SA (the partner with the share of 5%).
10.04.2017	Asbud Centrum Sp. z o.o.	185 061 (total value of 3 contracts)	Budimex SA concluded another 2 contracts with Asbud Group companies within the past 12 months. The contracts concern construction of residential buildings at 28 Karolkowa street in Warsaw.

\* share of the Budimex Group

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

In the first 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 I 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 annual report for the year 2016, i.e. 21 March 2017.

**13. Proceedings pending as at 31 March 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 31 March 2017 was PLN 1 017 841 thousand. Excess of the value of proceedings against Group companies over proceedings relating to claims of Group companies amounted to PLN 744 667 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 31 March 2017 was PLN 881 254 thousand. These proceedings involve the Group companies' operating activity.

The proceedings in the highest value case concern a lawsuit filed on 7 December 2016 by the General Directorate for National Roads and Motorways („GDDKiA”) against a consortium involving Budimex – Dromex SA (in 2009, this company merged with Budimex SA) (the „Consortium”). The GDDKiA seeks an order from the District Court in Warsaw to pay its claims jointly and severally by the three defendants – members of the Consortium. The lawsuit relates to the public tender procedure, completed in 2009, for the construction of the S8 route, section Piotrków Trybunalski – Rawa Mazowiecka, in which the Consortium did not succeed. The GDDKiA claims that the Consortium used the prohibited „concerted practice” „by replacing autonomous economic decisions with the arrangements between competitors who participated in one public tender”. The GDDKiA claims that as a result of this offense the public order under said tender was realised at a price considerably higher than that could hypothetically be paid, had no concerted practice restricting competition occurred. The value of the claim is PLN 539 957 thousand, increased by interest accrued from 17 July 2009.

The analysis of the GDDKiA's claim shows that the main evidence in this civil lawsuit are the evidence used in previous criminal proceedings, to which Budimex SA was not a party or participant. The acquittal in said criminal proceedings was granted in two court instances. The courts of two instances admitted that witness evidence and defendants explanations did not confirm entering into an arrangement and distorting competition to the detriment of the institution, the GDDKiA, for which the tender procedure was carried out. In the criminal procedure, a cassation appeal was filed with the Supreme Court. On 18 January 2017, the Supreme Court considered the cassation appeal as unfounded in its entirety, and ruled, in particular, that there was no price collusion or bid rigging involving representatives of Budimex Dromex SA.

On 31 January 2017 Budimex SA filed an answer to the lawsuit, but on 15 March 2017 it was informed that the proceedings would be discontinued because GDDKiA withdrew the lawsuit. The decision on discontinuance of the proceedings is not legally valid. In the coming days following the publication of this report the verdict is expected to become final and valid.

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

Initially, the proceedings related solely to the claim filed on 24 January 2008 by the FBL Consortium, in relation to bank guarantees realised by PPL groundlessly, which were given as a performance bond for a total amount of PLN 54 382 thousand. That case was finally resolved by a judgment of the Court of Appeal in Warsaw of 23 August 2012. The total value of the awarded claim and the amount of statutory interest for late payment was PLN 87 920 thousand (the amount attributable to Budimex SA was PLN 35 168 thousand, of which PLN 21 612 thousand as reimbursement of the performance bond). The court enforcement officer transferred that amount to the bank account of Budimex SA on 28 September 2012. After the cassation appeal of PPL was dismissed by the Supreme Court, the enforcement proceedings became final and PPL cannot submit now any further claims against the FBL Consortium regarding reimbursement of the amounts adjudicated in the partial judgment.

In the course of the proceedings before the Court of Arbitration, PPL filed a counter-claim of a total amount of PLN 135 719 thousand, covering claims for the redress of damage, including lost benefits, return of unjust enrichment and liquidated damages. On 31 July and 26 October 2009, PPL filed to the Court of Arbitration further written

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

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statements of claim including extension of the counter-claim, changing the original amount of counter-claim from PLN 135 719 thousand to PLN 280 894 thousand. As a result of subsequent procedural steps, in August 2012, the PPL's claim was raised to PLN 298 892 thousand. According to the value of the shares set forth in the consortium agreement, the risk allocated to Budimex SA does not exceed the total of PLN 119 556 thousand.

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

Regardless of the PPL's counter-claim and in accordance with former announcements, on 27 February 2009 the FBL Consortium submitted a statement of claim including an extension of the main claim by the amount of PLN 216 458 thousand, covering: remuneration for the works performed, but not paid by the Investor, remuneration for additional works, and reimbursement for the retained amounts and interest on late payments. Under the consortium contract, the share of Budimex SA in this claim amounts to PLN 86 583 thousand.

On 27 May 2010, the Court of Arbitration issued a decision under which the evidence from the expert's opinion evaluating reasonableness of the PPL claims was accepted (except for any amounts sought at that stage). The expert appointed by the Court of Arbitration, the BS Consulting Group, started to work at the end of 2010. To date, there have been several meetings with proxies of parties and the expert and there was an inspection of the airport objects with the participation of the aforementioned expert in March 2011. Technical opinion prepared by the expert, that was delivered to proxies of both parties on 29 July 2011, represented the result of his work. The parties submitted comments, remarks and detailed questions to the opinion prepared by the expert. Upon taking these into consideration, the expert prepared his final supplementary opinion at the end of March 2012. The assessment presented in the opinion was 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. During recent court hearings, the parties submitted their views to the Panel of Arbitrators, who will decide in the near future whether or not to order a supplementary opinion.

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

On 16 December 2010, Tomasz Ryskalok and Rafał Ryskalok, conducting business activity as a civil law partnership under the name Cerrys S.C., with its registered office in Wykroty, filed a lawsuit against Budimex SA for payment of a contractual penalty for delay in the removal of defects identified during the warranty period. The lawsuit concerns the construction of a concrete plant in line with the agreement concluded on 19 May 2003 with the value of the agreement amounting to PLN 4 189 thousand. The initial value of the subject matter of litigation is PLN 90 000 thousand including statutory interest calculated from 19 October 2006 until the day of payment. In the opinion of Budimex SA, the claim constituting the subject matter of litigation is unfounded as there is no basis, either formal or factual, for considering it (the deadline for submitting the claims in question expired, the limit concerning contractual penalties -

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i.e. up to 15 per cent of the value of the agreement - has not been taken into account, and the defect is not material). To date, several court hearings took place during which witnesses for the claimant and defendant were examined. Having heard the parties, on 19 December 2013, the Court issued a decision under which the evidence from the expert's opinion was accepted in order to determine reasonableness and the amount of the PPL's claim. The inspection of the facility was carried out in June 2014. In October 2014, the court delivered the opinion of the construction expert. At the request of Budimex, the court ordered preparation of a supplementary opinion, to which the parties submitted their objections. Despite oral explanations provided by expert during the course of court hearing in November 2015, a request was filed for another supplementary opinion. In July 2016, the Court obligated the expert to draft another supplementary opinion, and the opinion was duly delivered to the parties in October 2016. On 17 November 2016, the claim was extended by the amount of PLN 57 266 thousand i.e. to the total amount of PLN 147 266 thousand. A response of Budimex SA was filed to the extended claim with the request for claim dismissal on the grounds of claim extension inadmissibility, unjustified claim demand and the expiry of the statute of limitations for the claim. At the hearing on 31 March 2017 the Court reached a verdict in which it entirely dismissed the claim and ordered to return the proceeding costs to Budimex SA. The verdict is legally invalid.

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 appointment of a new expert; this request was rejected by the court during the hearing in December 2015. At the same time, the court allowed preparation of a supplementary opinion, which was delivered to the parties in June 2016. With respect to the contents of this new supplementary opinion, the defendant upheld his current standpoint presented for the main opinion, which he assessed as favourable. Instead, the claimant requested yet another expert opinion. Currently, the parties are awaiting a court decision regarding the validity and possible scope of the opinion.

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 136 587 thousand as at 31 March 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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### 13. Contingent assets and contingent liabilities

	31 March 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	469 689	475 101
– bills of exchange received as security	12 104	12 373
<b>From other entities, total</b>	<b>481 793</b>	<b>487 474</b>
<b>Other contingent assets</b>	<b>36 117</b>	<b>16 117</b>
<b>Total contingent assets</b>	<b>517 910</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	3 135 767	3 028 156
– bills of exchange issued as performance bond	2 845	2 695
<b>To other entities, total</b>	<b>3 138 612</b>	<b>3 030 851</b>
<b>Other contingent liabilities</b>	<b>134 192</b>	<b>133 554</b>
<b>Total contingent liabilities</b>	<b>3 275 632</b>	<b>3 169 442</b>
<b>Total contingent items</b>	<b>(2 757 722)</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 134 192 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 for bank loans and borrowings issued by Budimex SA and its subsidiaries as at 31 March 2017:

Name of the company which issued a guarantee or suretyship for a bank loan or borrowings	Name of the (company) entity which received suretyships or guarantees	Total value of bank loans and borrowings, for which guarantee or suretyship was issued for the full amount or defined part	Period of guarantees or suretyships issuance	Financial conditions in respect of guarantees and suretyships issued	Type of relations between Budimex SA and the entity which took out a bank loan or borrowings
Budimex SA	Mostostal Kraków SA	77 355	2021-10-20	against payment	subsidiary
Budimex SA	Budimex Budownictwo Sp. z o.o.	24 568	2026-06-30	free of charge	subsidiary
Budimex SA	Budimex Nieruchomości Sp. z o.o.	10 110	2017-06-30	against payment	subsidiary
Budimex SA	Budimex Parking Wrocław Sp. z o.o.	206	2017-08-31	free of charge	subsidiary
Budimex SA	Budimex Bau GmbH	82	2017-12-31	free of charge	subsidiary
Budimex SA	FBSerwis SA	1 565	2021-06-16	against payment	associate
Budimex Budownictwo Sp. z o.o.	FBSerwis SA	1 263	2018-11-16	against payment	associate
<b>TOTAL</b>		<b>115 149</b>			

**President of the Management Board**

**Management Board Member**

**Dariusz Blocher**

**Marcin Węglowski**

Warsaw, 27 April 2017

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