



BUDIMEX SA

CONDENSED FINANCIAL STATEMENTS

for III quarters of 2017

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

Table of contents

Statement of financial position	2
Income statement	4
Statement of comprehensive income	5
Statement of changes in equity	6
Cash flow statement	8
Cash flow statement (cont.)	9
1. General information	10
2. Principles applied for the purpose of preparation of this report	10
2.1. Accounting policies and basis of preparing the financial statements of the Company	10
2.2. Changes in accounting principles and the method of preparation of financial statements	11
2.3. Cash recognized in the cash flow statement	12
2.4. Going concern	12
3. Shareholders of the Parent Company	12
4. Descriptions of factors and events which had a material effect on the financial result of the Company for three quarters of 2017	12
4.1. Business operation of the Company for three quarters of 2017	12
4.2. Revenue from sale of finished goods, services, goods for resale and raw materials by categories	14
4.3. Changes of estimates	15
5. Proceedings pending as at 30 September 2017 before court, competent arbitration body or any public administration authority	16
6. Significant events during III quarter of 2017 and after 30 September 2017	18
7. Related party transactions	18
8. Contingent receivables and contingent liabilities	19

BUDIMEX SA

Condensed financial statements for III quarters of 2017
prepared in accordance with International Financial Reporting Standards



(all amounts are expressed in PLN thousand)

Statement of financial position

ASSETS	30 September 2017	31 December 2016
Non-currents assets (long-term)		
Property, plant and equipment	111 810	92 668
Investment properties	3 338	3 762
Intangible assets	28 157	29 707
Investments in subsidiaries	727 722	724 473
Investments in associates	61 246	61 246
Investments in other entities	6 417	6 417
Other financial assets	68 564	16 537
Trade and other receivables	14 202	12 878
Retentions for construction contracts	50 887	39 835
Deferred tax asset	383 810	400 046
Total non-current assets (long-term)	1 456 153	1 387 569
Current assets		
Inventories	226 496	159 498
Trade and other receivables	733 262	462 329
Retentions for construction contracts	48 532	46 767
Amounts due and receivable from customers (investors) under construction contracts	788 161	290 016
Other financial assets	244 488	1 717
Cash and cash equivalents	988 926	2 272 110
Total current assets (short-term)	3 029 865	3 232 437
TOTAL ASSETS	4 486 018	4 620 006

BUDIMEX SA

Condensed financial statements for III quarters of 2017
prepared in accordance with International Financial Reporting Standards



(all amounts are expressed in PLN thousand)

Statement of financial position (cont.)

EQUITY AND LIABILITIES	30 September 2017	31 December 2016
Equity		
Shareholders' equity		
Issued capital	145 848	145 848
Share premium	80 199	80 199
Other reserves	54 001	54 001
Foreign exchange differences on translation of foreign operations	5 649	5 670
Retained earnings	333 346	382 856
Total shareholders' equity	619 043	668 574
Liabilities		
Long-term liabilities		
Loans, borrowings and other external sources of finance	42 132	29 374
Retentions for construction contracts	197 262	194 624
Provision for long-term liabilities and other charges	212 406	180 765
Long-term retirement benefits and similar obligations	5 348	5 348
Other financial liabilities	312	7
Total long-term liabilities	457 460	410 118
Short-term liabilities		
Loans, borrowings and other external sources of finance	24 665	18 463
Trade and other payables	1 428 503	1 397 654
Retentions for construction contracts	202 789	174 635
Amounts due and payable to customers (investors) under construction contracts	1 019 791	1 337 780
Deferred income	551 709	408 741
Provision for short-term liabilities and other charges	172 503	157 540
Current tax payable	6 700	45 272
Short-term retirement benefits and similar obligations	1 025	1 025
Other financial liabilities	1 830	204
Total short-term liabilities	3 409 515	3 541 314
Total liabilities	3 866 975	3 951 432
TOTAL EQUITY AND LIABILITIES	4 486 018	4 620 006

BUDIMEX SA

Condensed financial statements for III quarters of 2017
prepared in accordance with International Financial Reporting Standards



(all amounts are expressed in PLN thousand)

Income statement

	9-month period ended 30 September		3-month period ended 30 September	
	2017	2016	2017	2016
Continuing operations				
Net sales of finished goods, goods for resale, raw materials and services	4 151 306	3 876 916	1 657 173	1 609 627
Cost of finished goods, goods for resale, raw materials and services sold	(3 673 374)	(3 458 753)	(1 468 109)	(1 439 491)
Gross profit on sales	477 932	418 163	189 064	170 136
Selling expenses	(7 650)	(8 113)	(2 554)	(2 791)
Administrative expenses	(138 132)	(134 711)	(45 852)	(44 164)
Other operating income	36 860	31 334	16 252	5 554
Other operating expenses	(13 027)	(47 162)	(9 593)	(12 952)
Operating profit	355 983	259 511	147 317	115 783
Finance income	72 770	61 826	6 329	5 848
Finance costs	(26 740)	(23 894)	(8 998)	(7 271)
Profit before tax	402 013	297 443	144 648	114 360
Income tax	(68 827)	(52 015)	(28 243)	(22 320)
Net profit from continuing operations	333 186	245 428	116 405	92 040
Net profit for the period	333 186	245 428	116 405	92 040
<i>Basic and diluted earnings per share attributable to the shareholders (in PLN)</i>	13.05	9.61	4.56	3.61

Statement of comprehensive income

	9-month period ended 30 September		3-month period ended 30 September	
	2017	2016	2017	2016
Net profit for the period	333 186	245 428	116 405	92 040
Other comprehensive income for the period, which:				
<i>Will be subsequently reclassified to profit or loss:</i>				
Foreign exchange differences on translation of foreign branch	(21)	(169)	142	(161)
Deferred tax related to components of other comprehensive income	-	-	-	-
<i>Will not be subsequently reclassified to profit or loss:</i>				
Actuarial gains/(losses)	-	-	-	-
Income tax related to components of other comprehensive income	-	-	-	-
Other comprehensive income, net of tax	(21)	(169)	142	(161)
Total comprehensive income for the period	333 165	245 259	116 547	91 879

BUDIMEX SA

Condensed financial statements for III quarters of 2017
 prepared in accordance with International Financial Reporting Standards

(all amounts are expressed in PLN thousand)

**Statement of changes in equity**

	Issued capital	Share premium	Other reserves	Foreign exchange differences on translation of foreign branch	Retained earnings	Total equity
Balance as at 1 January 2017	145 848	80 199	54 001	5 670	382 856	668 574
Profit for the period	-	-	-	-	333 186	333 186
Other comprehensive income	-	-	-	(21)	-	(21)
Total comprehensive income for the period	-	-	-	(21)	333 186	333 165
Dividend paid	-	-	-	-	(382 696)	(382 696)
Balance as at 30 September 2017	145 848	80 199	54 001	5 649	333 346	619 043

BUDIMEX SA

Condensed financial statements for III quarters of 2017
prepared in accordance with International Financial Reporting Standards



(all amounts are expressed in PLN thousand)

Statement of changes in equity (cont.)

	Issued capital	Share premium	Other reserves	Foreign exchange differences on translation of foreign branch	Retained earnings	Total equity
Balance as at 1 January 2016	145 848	80 199	53 909	5 630	208 753	494 339
Profit for the period	-	-	-	-	245 428	245 428
Other comprehensive income	-	-	-	(169)	-	(169)
Total comprehensive income for the period	-	-	-	(169)	245 428	245 259
Dividend paid	-	-	-	-	(207 815)	(207 815)
Share-based payment	-	-	(178)	-	-	(178)
Balance as at 30 September 2016	145 848	80 199	53 731	5 461	246 366	531 605
Profit for the period	-	-	-	-	136 488	136 488
Other comprehensive income	-	-	272	209	-	481
Total comprehensive income for the period	-	-	272	209	136 488	136 969
Other corrections-rounding	-	-	(2)	-	2	0
Balance as at 31 December 2016	145 848	80 199	54 001	5 670	382 856	668 574

BUDIMEX SA

Condensed financial statements for III quarters of 2017
prepared in accordance with International Financial Reporting Standards



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

Cash flow statement

	9-month period ended 30 September	
	2017	2016
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	402 013	297 443
Adjustments:		
Depreciation/ amortization	24 589	16 901
Foreign exchange (gains)/ losses	(457)	(147)
Interest and shares in profits (dividends)	(54 423)	(36 429)
(Profit)/ loss on disposal of investments	(5 968)	1 310
Change in valuation of derivative financial instruments	(2 742)	366
Change in provisions and liabilities arising from retirement benefits and similar obligations	46 604	65 377
Other adjustments	738	(77)
Operating profit before changes in working capital	410 354	344 744
Change in receivables and retentions for construction contracts	(272 921)	(237 565)
Change in inventories	(66 998)	(56 012)
Change in retentions for construction contracts and in liabilities, except for loans and borrowings	60 729	359 617
Change in amounts due and receivable under construction contracts	(816 134)	(242 235)
Change in deferred income	142 968	(78 475)
Change in cash and cash equivalents of restricted use	(5 960)	(4 780)
Cash used /from operations	(547 962)	85 294
Income tax paid	(91 163)	(80 522)
NET CASH USED IN / FROM OPERATING ACTIVITIES	(639 125)	4 772
CASH FLOW FROM INVESTING ACTIVITIES		
Sale of intangible assets and tangible fixed assets	933	417
Purchase of intangible assets and tangible fixed assets	(13 951)	(23 809)
Sale of investment properties	5 367	-
Purchase of shares in related entities	(3 249)	(150)
Purchase of held-to-maturity financial assets	(437 160)	-
Proceeds from held-to-maturity financial assets	208 632	-
Dividend received	40 000	31 007
Loans granted	(63 853)	(6 860)
Repayment of loans granted	3 136	-
Interest received	1 913	1 802
NET CASH USED IN / FROM INVESTING ACTIVITIES	(258 232)	2 407

BUDIMEX SA

Condensed financial statements for III quarters of 2017
prepared in accordance with International Financial Reporting Standards

budimex

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

Cash flow statement (cont.)

CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	(382 696)	(207 815)
Payment of finance lease liabilities	(8 233)	(8 527)
Interest paid	(1 078)	(564)
NET CASH USED IN FINANCING ACTIVITIES	(392 007)	(216 906)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1 289 364)	(209 727)
Foreign exchange differences, net	220	250
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (note 2.3)	2 239 546	1 935 366
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (note 2.3)	950 402	1 725 889

1. General information

Budimex SA (the “Company”, the “Issuer”) with its registered office in Warsaw, ul. Stawki 40, is a joint-stock company entered in the Commercial Register kept by the District Court for the capital city of Warsaw, Commercial Division XII of the National Court Register under No. KRS 0000001764.

Budimex SA is the parent company of the Budimex Group and serves as an advisory, management and financial centre.

The main areas of the Company’s business activities are widely understood construction and assembly services realised in the system of general contracting at home and abroad and a limited scope of developer activities, property management, trading and production.

The Company is part of the Ferrovial Group with Ferrovial SA with its registered office in Madrid, Spain, as its parent company.

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

2.1. Accounting policies and basis of preparing the financial statements of the Company

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

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

Standards first-time adopted in 2017

The Company has elected to use the opportunity of early adoption of IFRS 15 „Revenue from Contracts with Customers” and Amendments to IFRS 15 – “Effective date of IFRS 15” starting from 1 January 2017 and adequate changes in accounting principles and the method of preparation of financial statements were presented in paragraph 2.2 of the condensed financial statements for I half of 2017.

Standards already published, but not yet effective

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

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

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

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

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

- IFRS 16 “Leases” (effective for annual periods beginning on or after 1 January 2019),
- IFRS 17 “Insurance Contracts” (effective for annual periods beginning on or after 1 January 2021),
- Amendments to IFRS 2 “Share-based Payment” – *Classification and Measurement of Share-based Payment Transactions* (effective for annual periods beginning on or after 1 January 2018),
- Amendments to IFRS 4 “Insurance Contracts” – *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* (effective for annual periods beginning on or after 1 January 2018 or upon first-time application of IFRS 9 “Financial Instruments”),
- Amendments to IFRS 9 „Financial instruments” – *Prepayment features with negative compensation* (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IAS 7 “Statement of Cash Flows” – *Disclosure Initiative* (effective for annual periods beginning on or after 1 January 2017),
- Amendments to IAS 12 “Income Taxes” – *Recognition of Deferred Tax Assets for Unrealised Losses* (effective for annual periods beginning on or after 1 January 2017),
- Amendments to IAS 28 “Investments in associates and joint ventures” - *Long-term interests in associates and joint ventures* (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IAS 40 “Investment Property” - *Transfers of Investment Property* (effective for annual periods beginning on or after 1 January 2018),
- 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),
- IFRIC 22 “Foreign Currency Transactions and Advance Consideration” (effective for annual periods beginning on or after 1 January 2018),
- IFRIC 23 “Uncertainty over Income Tax Treatments” (effective for annual periods beginning on or after 1 January 2019).

The Company estimates that the application of IFRS 16 “Leases” may, to some extent, increase both its non-current assets and its financial liabilities that may influence some financial ratios. At the same time, positive impact on operating result and negative impact on the result from financing activities are expected.

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

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

In the period covered by the report the Company applied IFRS 15 “Revenue from Contracts with Customers” and Amendments to IFRS 15 – “Effective date of IFRS 15”. The Company decided to apply the standard retrospectively with a total impact of the first application reported as at that day. According to the best estimations of the Company early application of IFRS 15 did not have any material impact on the previous years’ financial statements. That is why as at 1 January 2017 no adjustment was made which would be presented in the retained earnings.

Main assumptions of the accounting principles applied by the Company as at the date of the first application of IFRS 15 were included in the half-year condensed financial statements published on 31 August 2017.

2.3. Cash recognized in the cash flow statement

The Company recognizes cash of restricted use, including cash of the consortia in the portion attributable to other consortium members, in the statement of financial position under cash and cash equivalents. For the purpose of the statement of cash flow – the balance of cash at the beginning and at the end of the reporting period is reduced by cash of restricted use, and its change in the statement of financial position is recognized under cash flow from operating activities.

	30 September 2017	31 December 2016	30 September 2016
Cash recognised in the statement of financial position	988 926	2 272 110	1 778 439
Cash and cash equivalents of restricted use	(38 524)	(32 564)	(52 550)
Cash recognised in the statement of cash flow	950 402	2 239 546	1 725 889

2.4. Going concern

The financial statements of the Company were prepared on the assumption that the Company will be going concern in the foreseeable future without a significant limitation in its activities. As at the date of signing the financial statements, the Management Board of the Company is not aware of any facts or circumstances that would indicate a threat to the Company's continued activities after the reporting date, due to an intended or compulsory withdrawal from or a significant limitation in its activities.

As at 30 September 2017 the excess of the current liabilities over the current assets amounted to PLN 379 650 thousand. Taking into consideration very good financial position of Budimex Group related to liquidity, of which the excess of current assets over current liabilities as at 30 September 2017 amounted to PLN 375 464 thousand, the Company's Management Board does not state as at the date of signing the financial statements any threat to Company's ability to continue as a going concern.

3. Shareholders of the Parent Company

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

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

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

4. Descriptions of factors and events which had a material effect on the financial result of the Company for three quarters of 2017**4.1. Business operation of the Company for three quarters of 2017**

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

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

In the period of nine months of 2017 Budimex SA earned sales revenue in the amount of PLN 4 151 306 thousand (in the third quarter PLN 1 657 173 thousand), and in the comparative period of the year 2016 sales revenue amounted to PLN 3 876 916 thousand (in the third quarter PLN 1 609 627 thousand) giving the increase of 7.08% (2,95% in the third quarter).

Gross profit on sales for three quarters of 2017 amounted to PLN 477 932 thousand and was by PLN 59 769 thousand (i.e. by 14.29%) higher than in the comparative period of the previous year.

Total amount of administrative and selling expenses in three quarters of 2017 was PLN 145 782 thousand, while in three quarters of 2016 amounted to PLN 142 824 thousand. The share of selling and administrative expenses in total sales equaled 3.51% (in the corresponding period of 2016 equaled 3.68%).

In the period of three quarters of 2017, the result from other operating activity, including financial result from derivative instruments, was positive and amounted to PLN 23 833 thousand. Other operating income comprised mainly: revenue from received penalties and compensations in the amount of PLN 18 071 thousand, profit from sale of investment properties and fixed assets in the amount of PLN 5 968 thousand, released provisions for penalties and legal proceedings in the amount of PLN 4160 thousand and PLN 1 760 thousand accordingly, reversal of receivable and retention write-downs in the amount of PLN 3 583 thousand, overdue liabilities write-off in the amount of PLN 1 217 thousand and profit on valuation and realization of derivative instrument contracts of PLN 1 515 thousand. Other operating expenses comprised mainly: penalties and compensation paid in the amount of PLN 5 374 thousand, provisions for compensation payments and legal proceedings of PLN 1 502 thousand and PLN 3 122 thousand accordingly, costs of receivable and retention write-downs in the amount of PLN 1 770 thousand, donations made in the amount of PLN 635 thousand and court fees of PLN 521 thousand.

In comparison, in three quarters of 2016, the result from the other operating activity including financial result from derivative instruments was negative and amounted to PLN 15 828 thousand. Other operating income comprised mainly: revenue from received penalties and fines in the amount PLN 16 657 thousand, released provision for penalties in the amount of PLN 6 189 thousand, reversal of impairment write-downs against doubtful debts in the amount of PLN 3 238 thousand and released provision for legal proceedings amounting to PLN 2 766 thousand. Other operating expenses comprised mainly: provisions for compensation payments and contractual penalties of PLN 17 656 thousand, penalties and fines paid in the amount of PLN 10 578 thousand, impairment write-downs against doubtful debts in the amount of PLN 11 672 thousand, loss on valuation and realization of derivative instrument contracts of PLN 2 553 thousand and impairment of fixed asset in the amount of PLN 1 677 thousand.

All valued derivative instrument contracts were classified as level 2 in the fair value hierarchy. During the 9 months period ended 30 September 2017, there was no transfer between Level 1 and Level 2 of fair value measurements, and no transfer into and out of Level 3 of fair value measurement.

In the period of three quarters of 2017 the operating profit amounted to PLN 355 983 thousand and was higher by PLN 96 472 thousand (37.17%) compared to the comparative period of the year 2016. For three quarters of 2017, the operating margin equaled 8.58%, while in the comparative period of 2016 was equal to 6.69%.

In the period of three quarters of 2017, the result from financial activity was positive and amounted to PLN 46 030 thousand and in the comparative period of 2016 the result was lower by PLN 8 098 thousand. In three-quarter period of 2017 financial income, besides dividend income from related entities in the amount of PLN 51 686 thousand, comprised also interest of PLN 21 084 thousand. Interest income covered, among others, amount of PLN 2 148 thousand of interest from purchased in the first three quarters of 2017, not listed, corporate bonds, issued by real estate banks and interest from loan granted mainly to related entities in the amount of PLN 1 710 thousand (additional information regarding loans granted to related parties are presented in paragraph 6. of condensed financial statements). Above mentioned bonds are presented in "other short-term financial assets" line in the statement of financial position in the amount of PLN 229 308 thousand and are classified as assets held- to -maturity. The fair value of the bonds is close to their carrying amount. Financial expenses in three-quarter period of 2017 comprised mainly costs of bank guarantees and commissions in the amount of PLN 17 378 thousand, costs of long-term retention receivables and liabilities discounting of PLN 6 400 thousand, interest costs in the amount of PLN 2 359 thousand and exchange differences in the amount of PLN 586 thousand.

In the three-quarter period of 2016 main items of financial income constituted dividends received from related entities in the amount of PLN 36 571 thousand and interest of PLN 24 914 thousand. Financial expenses comprised mainly costs of bank guarantees and commissions in the amount of PLN 17 543 thousand, costs of long-term retention receivables and liabilities discounting of PLN 5 178 thousand and interest costs in the amount of PLN 1 148 thousand.

Profit before tax in the 9-month period of 2017 amounted to PLN 402 013 thousand and was by PLN 104 570 thousand higher (i.e. by 35.16%) than in the 9-month period of 2016.

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

In the period of nine months of 2017 the Company reported a net profit of PLN 333 186 thousand gaining a net profit margin of 8.03% while in the same period of 2016 net profit margin was equal to 6.33%.

In the 9-month period of 2017, the Company purchased or started to lease property, plant and equipment, intangible assets with a total value of PLN 42 301 thousand, of which machinery and equipment accounted for PLN 33 432 thousand.

In comparison, in the 9-month period of 2016, the Company purchased or started to lease property, plant and equipment, intangible assets and investment property with a total value of PLN 42 452 thousand, of which machinery and equipment accounted for PLN 23 083 thousand.

Liabilities arising from investment agreements in relation to fixed assets as of 30 September 2017 equaled PLN 61 833 thousand.

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

In the 9-month period of 2017 and 2016 the revenue from sale of finished goods, services, goods for resale and raw materials by type of product or service was as follows:

Product/service type	Sales of finished goods and services in the 9-month period ended:	
	30 September 2017	30 September 2016
Revenue from sale of construction and assembly services	4 128 446	3 852 219
Revenue from sale of other services	19 480	21 571
Revenue from sale of goods and materials	3 380	3 126
Total sales of finished goods, services goods for resale, raw materials	4 151 306	3 876 916

In the 9-month period of 2017 and 2016 the revenue from sale of finished goods, services, goods for resale and raw materials from contracts with customers by geographic area was as follows:

Region	Sales of finished goods and services in the 9-month period ended:	
	30 September 2017	30 September 2016
Poland	4 011 544	3 753 623
Germany	134 623	123 293
Other EU countries	5 139	-
Total sales of finished goods, services, goods for resale, raw materials	4 151 306	3 876 916

In the 9-month period of 2017 and 2016 the revenue from sale of finished goods, services, goods for resale and raw materials by type of construction was as follows:

Type of construction	Sales of finished goods and services in the 9-month period ended:	
	30 September 2017	30 September 2016
Civil engineering (infrastructure)	2 323 955	2 386 004
General construction, of which:	1 804 490	1 466 215
- non-residential	1 212 212	966 018
- residential	592 278	500 197
Other	22 861	24 697
Total sales of finished goods, services, goods for resale, raw materials	4 151 306	3 876 916

4.3. Changes of estimates

Provisions for onerous contracts

Provisions for onerous contracts refer mainly to provisions for expected construction contracts losses. In accordance with accounting policies adopted, the Company creates provisions for expected contract losses if budgeted contract costs exceed the entire expected contract revenue. Provisions for expected contract losses are presented in statement of financial position in "Amounts due and payable to customers (investors) under construction contracts" line. As at 30 September 2017, the balance of the provision for contract losses amounted to PLN 325 398 thousand, while as at 31 December 2016 amounted to PLN 400 146 thousand. Due to that, in the 9-month period of 2017 the balance of provision decreased by PLN 74 748 thousand, while in the third quarter of 2017 decreased by PLN 75 879 thousand.

Provision for legal proceedings

The Company recognizes provisions for legal proceedings when it is suited and the probability of an unfavorable court judgment is higher than the probability of a favorable one. An estimation of that result is made on the basis of analysis of a legal proceedings progress as well as lawyers' opinions. As at 30 September 2017, the balance of the provision in this respect amounted to PLN 24 924 thousand, while as at 31 December 2016 amounted to PLN 23 565 thousand. Due to that, in the 9-month period of 2017 the balance of provision increased by PLN 1 359 thousand, in the third quarter of 2017 increased by PLN 3 124 thousand.

Provision for penalties and compensations

The Company recognizes provisions for penalties and compensations related to the realization of construction contracts. A provision is recognized only when the Company has a present obligation as a result of past event, the settlement of that obligation is highly probable and a reliable estimate can be made of the amount of the obligation. As at 30 September 2017, the balance of the provision in this respect amounted to PLN 47 125 thousand, while as at 31 December 2016 amounted to PLN 49 784 thousand. Due to that, in the 9-month period of 2017 the balance of provision decreased by PLN 2 659 thousand, in the third quarter of 2017 it decreased by PLN 2 381 thousand.

Costs of future warranty repairs

The Company is required to issue guarantees for its construction services. It is accepted that the provision between 0.3%-1.4% of revenue from the given contract is made what depends on particular construction segment. This general value is assessed on an individual basis and may be increased or reduced, as appropriate. As at 30 September 2017, the balance of the provision in this respect amounted to PLN 312 860 thousand, while as at 31 December 2016 amounted to PLN 264 956 thousand. Due to that, in the 9-month period of 2017 the balance of provision increased by PLN 47 904 thousand, while in the third quarter of 2017 it increased by PLN 29 866 thousand.

Deferred tax asset and liability

As at 30 September 2017, the balance of deferred tax asset (reducing by deferred tax liability) amounted to PLN 383 810 thousand, while as at 31 December 2016 amounted to PLN 400 046 thousand. Due to that, in the 9-month period of 2017 the balance of deferred tax asset decreased by PLN 16 236 thousand, of which PLN 37 thousand was reported in the third quarter of 2017.

Impairment write-downs against receivables and retentions for constructions contracts

As at 30 September 2017, the balance of recognized impairment write-downs against receivables and retentions amounted to PLN 129 987 thousand, while as at 31 December 2016 amounted to PLN 132 039 thousand. In the 9-month period of 2017 the Company recognized impairment write-downs in the amount of PLN 1 770 thousand and reversed it increasing operating income in the amount of PLN 3 583 thousand and in the same time the Company utilized impairment write-downs in the amount of PLN 49 thousand and decreased it by PLN 190 thousand due to exchange differences. Only in the third quarter of 2017 the Company reversed receivables and retentions impairment write-downs in the amount of PLN 1 267 thousand, recognized impairment write-downs in the amount of PLN 533 thousand and increased them by PLN 201 thousand of exchange differences.

Impairment write-downs against inventory

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

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

As at 30 September 2017, the total value of the proceedings relating to the Company's liabilities and claims amounted to PLN 317 035 thousand and PLN 134 332 thousand accordingly, and as at 30 June 2017 PLN 197 146 thousand and PLN 133 483 thousand accordingly.

Material increase in the value of the proceedings relating to the Company's liabilities represent a lawsuit filed by the petitioner — Silesian Museum in Katowice on 24 July 2017 against Budimex SA and Ferrovial Agroman SA in Madrid, members of the consortium related to implementation of the contract "Construction of the new premises for the Silesian Museum in Katowice" concluded on 7 June 2011.

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

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

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

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

In the course of the proceedings before the Court of Arbitration, PPL filed a counter-claim of a total amount of PLN 135 719 thousand, covering claims for the redress of damage, including lost benefits, return of unjust enrichment and liquidated damages. On 31 July and 26 October 2009, PPL filed to the Court of Arbitration further written statements of claim including extension of the counter-claim, changing the original amount of counter-claim from PLN 135 719 thousand to PLN 280 894 thousand. As a result of subsequent procedural steps, in August 2012, the PPL's claim was raised to PLN 298 892 thousand. According to the value of the shares set forth in the consortium agreement, the risk allocated to Budimex SA does not exceed the total of PLN 119 556 thousand.

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

claims of the FBL Consortium will affect the scope of claims of PPL and, consequently, the scope of evidence taken in order to prove them.

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

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

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

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

Another material in value legal proceedings relate to the claim filed on 5 March 2008 by Miejskie Wodociągi i Kanalizacja w Bydgoszczy Sp. z o.o. requesting that the amount of PLN 25 252 thousand be awarded jointly and severally against the consortium to which the Budimex SA and Budimex Dromex SA belonged. The claim relates to the replacement of contractor costs incurred by the investor when the consortium rescinded the contract. The share of the companies in the consortium was 90%, therefore the value of the claim for which Budimex SA is presently liable is PLN 22 727 thousand. The court ended examination of witnesses of both parties, then heard the parties, and on 6 February 2014 accepted the evidence from the construction expert opinion with regard, inter alia, to the assessment of quality and value of works completed by the defendant, the scope and completeness of works to be performed as well as the value of corrections. The expert drafted an opinion which the defendant considers to be in its favor. This assessment is confirmed by the actions of the claimant who submitted a request for appointment of a new expert. The court did not consider the request of the claimant in this matter and allowed to include in the court protocol only oral supplementary opinion of the expert, which was duly provided during the court hearing on 21 April 2015. The claimant filed another request for an opinion a new expert; which turned out to be the same as the first expert's opinion. On 12 July 2017 the court of first instance issued a judgment in which it ordered Budimex SA to pay only PLN 22 thousand (in return for the costs of the expert's investigations) and dismissed the claim entirely.

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

BUDIMEX SA

Condensed financial statements for III quarters of 2017
prepared in accordance with International Financial Reporting Standards



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

The proceedings in respect of claims of Budimex SA relate mainly to the recovery of overdue receivables from business partners and to additional claims in respect of the construction work performed. As at the date of this report, the final outcome of the proceedings is not known.

6. Significant events during III quarter of 2017 and after 30 September 2017

On **26 September 2017**, signed loan agreement under which Budimex Nieruchomości Sp. z o.o. (a subsidiary of Budimex SA) was provided with the loan to the maximum amount of PLN 150 000 thousand for financing developer projects. Pursuant to the agreement the loan will be paid in tranches and is to be repaid till 31 December 2019. The loan interest rate was determined as 1M WIBOR plus margin. Till the report date the Company did not pay any tranche of this loan.

7. Related party transactions

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

	Receivables		Liabilities	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
Parent Company and related parties (the Ferrovial Group)	20 541	20 472	72 327	95 843
Subsidiary companies	96 494	66 033	29 479	27 723
Associates	148	341	111	118
Jointly controlled entities	2 651	1 920	755	660
Other related parties*	8	7	-	-
Total	119 842	88 773	102 672	124 344

	Loans granted		Loans taken out	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
Parent Company and related parties (the Ferrovial Group)	-	-	8 972	9 165
Subsidiary companies	15 544	6 570	-	-
Associates	61 557	9 163	-	-
Total	71 101	15 733	8 972	9 165

	Sales of finished goods and services		Purchase of finished goods and services	
	9-month period ended 30 September		9-month period ended 30 September	
	2017	2016	2017	2016
Parent Company and related parties (the Ferrovial Group)	819	6 939	33 087	31 925
Subsidiary companies	251 822	237 708	78 171	30 235
Associates	802	488	440	212
Jointly controlled entities	864	499	-	-
Other related parties*	-	-	-	15
Total transactions with related parties	254 307	245 634	111 698	62 387

BUDIMEX SA

Condensed financial statements for III quarters of 2017
prepared in accordance with International Financial Reporting Standards



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

	Finance income		Finance costs	
	9-month period ended 30 September		6-month period ended 30 September	
	2017	2016	2017	2016
Parent Company and related parties (the Ferrovial Group)	-	-	44	54
Subsidiary companies	52 010	36 787	-	-
Associates	1 370	252	-	-
Total transactions with related parties	53 380	37 039	44	54

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

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

8. Contingent receivables and contingent liabilities

	30 September 2017	31 December 2016
<u>Contingent receivables</u>		
From related parties, of which:	17 162	15 654
– guarantees and suretyships received	1 508	-
– bills of exchange received as security	5 016	5 016
– other contingent receivables	10 638	10 638
From other entities	509 589	463 093
– guarantees and suretyships received	508 787	454 607
– bills of exchange received as security	802	8 486
Other contingent receivables	34 918	16 117
Total contingent receivables	561 669	494 864
<u>Contingent liabilities</u>		
To related parties, of which:	347 768	109 011
– guarantees and suretyships issued	347 768	109 011
To other entities, of which:	3 188 056	2 896 580
– guarantees and suretyships issued	3 174 304	2 895 488
– bills of exchange issued as performance bond	13 752	1 092
Other contingent liabilities	134 381	133 554
Total contingent liabilities	3 670 205	3 139 145
Total off-balance sheet items	(3 108 536)	(2 644 281)

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

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

BUDIMEX SA

Condensed financial statements for III quarters of 2017
prepared in accordance with International Financial Reporting Standards



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

The bills of exchange issued represent a security for the settlement of liabilities towards the strategic suppliers of the Company, while the bills of exchange received and recognized under contingent assets (receivables) represent security for the repayment by the Company's customers of the amounts due to the Company.

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

President of the Board

Board Member

Dariusz Blocher

Marcin Węglowski

Warsaw, 25 October 2017

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