



**BUDIMEX SA**

**CONDENSED FINANCIAL STATEMENTS**

**for 1 quarter of 2017**

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

**Table of contents**

<b>Statement of financial position .....</b>	<b>2</b>
<b>Income statement .....</b>	<b>4</b>
<b>Statement of comprehensive income .....</b>	<b>5</b>
<b>Statement of changes in equity.....</b>	<b>6</b>
<b>Cash flow statement.....</b>	<b>8</b>
<b>1. Principles applied for the purpose of preparation of this report .....</b>	<b>9</b>
1.1. Accounting policies and basis of preparing the financial statements of the Company .....	9
1.2. Changes in accounting principles and the method of preparation of financial statements .....	10
1.3. Translation of selected financial data into euro .....	10
1.4. Cash recognized in the cash flow statement.....	11
1.5. Going concern.....	11
<b>2. Shareholders of the Parent Company .....</b>	<b>11</b>
<b>3. Descriptions of factors and events which had a material effect on the financial result of the Company for the first quarter of 2017 .....</b>	<b>12</b>
3.1. Business operation of the Company in the I quarter of 2017 .....	12
3.2. Revenue from contracts with customers by categories.....	13
3.3. Changes of estimates.....	13
3.4. Material changes of the legal proceedings pending in I quarter of 2017 .....	14
<b>4. Other events for the I quarter of 2017.....</b>	<b>14</b>
<b>5. Related party transactions .....</b>	<b>15</b>
<b>6. Contingent receivables and contingent liabilities .....</b>	<b>16</b>

**Statement of financial position**

<b>ASSETS</b>	<b>31 March 2017</b>	<b>31 December 2016</b>
	(PLN thousands)	(PLN thousands)
<b>Non-currents assets (long-term)</b>		
Property, plant and equipment	92 030	92 668
Investment properties	3 727	3 762
Intangible assets	28 695	29 707
Investments in subsidiaries	726 891	724 473
Investments in associates	61 246	61 246
Investments in other entities	6 417	6 417
Other financial assets	23 177	16 537
Trade and other receivables	12 425	12 878
Retentions for construction contracts	42 932	39 835
Deferred tax asset	396 021	400 046
<b>Total non-current assets (long-term)</b>	<b>1 393 561</b>	<b>1 387 569</b>
<b>Current assets</b>		
Inventories	212 123	159 498
Trade and other receivables	495 822	462 329
Retentions for construction contracts	48 975	46 767
Amounts due and receivable from customers (investors) under construction contracts	388 278	290 016
Current tax receivable	9 362	-
Other financial assets	100 304	1 717
Cash and cash equivalents	1 615 479	2 272 110
<b>Total current assets (short-term)</b>	<b>2 870 343</b>	<b>3 232 437</b>
<b>TOTAL ASSETS</b>	<b>4 263 904</b>	<b>4 620 006</b>

**Statement of financial position (cont.)**

<b>EQUITY AND LIABILITIES</b>	<b>31 March 2017</b>	<b>31 December 2016</b>
	(PLN thousands)	(PLN thousands)
<b>Equity</b>		
<b>Shareholders' equity</b>		
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	5 460	5 670
Retained earnings	465 356	382 856
<b>Total shareholders' equity</b>	<b>750 864</b>	<b>668 574</b>
<b>Liabilities</b>		
<b>Long-term liabilities</b>		
Loans, borrowings and other external sources of finance	28 738	29 374
Retentions for construction contracts	196 902	194 624
Provision for long-term liabilities and other charges	178 624	180 765
Long-term retirement benefits and similar obligations	5 348	5 348
Other financial liabilities	1 870	7
<b>Total long-term liabilities</b>	<b>411 482</b>	<b>410 118</b>
<b>Short-term liabilities</b>		
Loans, borrowings and other external sources of finance	18 304	18 463
Trade and other payables	1 167 785	1 397 654
Retentions for construction contracts	175 638	174 635
Amounts due and payable to customers (investors) under construction contracts	1 129 449	1 337 780
Deferred income	443 522	408 741
Provision for short-term liabilities and other charges	163 411	157 540
Current tax payable	-	45 272
Short-term retirement benefits and similar obligations	1 025	1 025
Other financial liabilities	2 424	204
<b>Total short-term liabilities</b>	<b>3 101 558</b>	<b>3 541 314</b>
<b>Total liabilities</b>	<b>3 513 040</b>	<b>3 951 432</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>4 263 904</b>	<b>4 620 006</b>

**Income statement**

	3-month period ended 31 March	
	2017 (PLN thousands)	2016 (PLN thousands)
<b>Continuing operations</b>		
Net sales of finished goods, goods for resale, raw materials and services	940 517	883 401
Cost of finished goods, goods for resale, raw materials and services sold	(806 795)	(799 001)
<b>Gross profit on sales</b>	<b>133 722</b>	<b>84 400</b>
Selling expenses	(2 488)	(2 695)
Administrative expenses	(47 667)	(45 228)
Other operating income	12 072	19 821
Other operating expenses	(5 938)	(16 456)
<b>Operating profit</b>	<b>89 701</b>	<b>39 842</b>
Finance income	19 798	43 288
Finance costs	(9 472)	(8 312)
<b>Profit before tax</b>	<b>100 027</b>	<b>74 818</b>
Income tax	(17 527)	(9 487)
<b>Net profit from continuing operations</b>	<b>82 500</b>	<b>65 331</b>
<b>Net profit for the period</b>	<b>82 500</b>	<b>65 331</b>
<i>Basic and diluted earnings per share attributable to the shareholders (in PLN)</i>	<i>3,23</i>	<i>2,56</i>

**Statement of comprehensive income**

	3-month period ended 31 March	
	2017 (PLN thousands)	2016 (PLN thousands)
<b>Net profit for the period</b>	<b>82 500</b>	<b>65 331</b>
<b>Other comprehensive income for the period, which:</b>		
<i>Will be subsequently reclassified to profit or loss:</i>		
Foreign exchange differences on translation of foreign branch	(210)	(80)
Deferred tax related to components of other comprehensive income	-	-
<i>Will not be subsequently reclassified to profit or loss:</i>		
Actuarial gains/(losses)	-	-
Deferred tax related to components of other comprehensive income	-	-
<b>Other comprehensive income, net of tax</b>	<b>(210)</b>	<b>(80)</b>
<b>Total comprehensive income for the period</b>	<b>82 290</b>	<b>65 251</b>

**Statement of changes in equity**

	Issued capital	Share premium	Other reserves	Foreign exchange differences on translation of foreign operations	Retained earnings	Total equity
	in PLN thousands					
<b>Balance as at 1 January 2017</b>	<b>145 848</b>	<b>80 199</b>	<b>54 001</b>	<b>5 670</b>	<b>382 856</b>	<b>668 574</b>
Profit for the period	-	-	-	-	82 500	<b>82 500</b>
Other comprehensive income	-	-	-	(210)	-	<b>(210)</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(210)</b>	<b>82 500</b>	<b>82 290</b>
<b>Balance as at 31 March 2017</b>	<b>145 848</b>	<b>80 199</b>	<b>54 001</b>	<b>5 460</b>	<b>465 356</b>	<b>750 864</b>

**Statement of changes in equity (cont.)**

	Issued capital	Share premium	Other reserves	Foreign exchange differences on translation of foreign operations	Retained earnings	Total equity
	in PLN thousands					
<b>Balance as at 1 January 2016</b>	<b>145 848</b>	<b>80 199</b>	<b>53 909</b>	<b>5 630</b>	<b>208 753</b>	<b>494 339</b>
Profit for the period	-	-	-	-	65 331	<b>65 331</b>
Other comprehensive income	-	-	-	(80)	-	<b>(80)</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(80)</b>	<b>65 331</b>	<b>65 251</b>
Share-based payment	-	-	(178)	-	-	<b>(178)</b>
<b>Balance as at 31 March 2016</b>	<b>145 848</b>	<b>80 199</b>	<b>53 731</b>	<b>5 550</b>	<b>274 084</b>	<b>559 412</b>
Profit for the period	-	-	-	-	316 585	<b>316 585</b>
Other comprehensive income	-	-	272	120	-	<b>392</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>272</b>	<b>120</b>	<b>316 585</b>	<b>316 977</b>
Dividends	-	-	-	-	(207 815)	<b>(207 815)</b>
Other corrections-rounding	-	-	(2)	-	2	<b>0</b>
<b>Balance as at 31 December 2016</b>	<b>145 848</b>	<b>80 199</b>	<b>54 001</b>	<b>5 670</b>	<b>382 856</b>	<b>668 574</b>



**Cash flow statement**

	3-month period ended 31 March	
	2017 (PLN thousands)	2016 (PLN thousands)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Net profit before tax</b>	<b>100 027</b>	<b>74 818</b>
<b>Adjustments for:</b>		
Depreciation/ amortization	7 835	5 450
Foreign exchange (gains)/ losses	648	(187)
Interest and shares in profits (dividends)	(12 071)	(30 952)
(Profit)/ loss on disposal of investments	(16)	(243)
Change in valuation of derivative financial instruments	(2 130)	59
Change in provisions and liabilities arising from retirement benefits and similar obligations	3 730	(82)
Other adjustments	(38)	(245)
<b>Operating profit before changes in working capital</b>	<b>97 985</b>	<b>48 618</b>
Change in receivables and retentions for construction contracts	(25 983)	(100 995)
Change in inventories	(52 625)	(29 471)
Change in retentions for construction contracts and in liabilities, except for loans and borrowings	(228 718)	(11 105)
Change in amounts due and receivable under construction contracts	(306 593)	(96 523)
Change in deferred income	34 781	(9 346)
Change in cash and cash equivalents of restricted use	3 762	7 251
<b>Cash used /from operations</b>	<b>(477 391)</b>	<b>(191 571)</b>
Income tax paid	(68 135)	(76 564)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(545 526)</b>	<b>(268 135)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Sale of intangible assets and tangible fixed assets	15	248
Purchase of intangible assets and tangible fixed assets	(3 265)	(3 551)
Purchase of financial assets available-for-sale	(1 520)	(150)
Purchase of held-to-maturity financial assets	(98 965)	-
Loans granted	-	(6 860)
Interest received	129	1 606
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(103 606)</b>	<b>(8 707)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Payment of finance lease liabilities	(2 363)	(3 013)
Interest paid	(303)	(161)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(2 666)</b>	<b>(3 174)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(651 798)</b>	<b>(280 016)</b>
Foreign exchange differences, net	(1 071)	201
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (note 1.4)</b>	<b>2 239 546</b>	<b>1 935 366</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (note 1.4)</b>	<b>1 586 677</b>	<b>1 655 551</b>

## **1. Principles applied for the purpose of preparation of this report**

### **1.1. 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 using the rate of exchange presented in the point 1.3 of herein condensed financial statements.

The financial statements and the comparative data contain also 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 Ferrovia Agroman SA Sp. j., Budimex SA Ferrovia 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 Ferrovia 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 Ferrovia 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.

#### ***Amendments to standards effective in the current period***

The Company has elected to use the opportunity of early adoption of IFRS 15 „Revenue from Contracts with Customers” and Amendments to IFRS 15 – “Effective date of IFRS 15” starting from 1 January 2017.

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

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

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

- IFRS 14 „Regulatory Deferral Accounts” (the EU has decided to suspend the endorsement process),
- IFRS 16 „Leases” (effective for annual periods beginning on or after 1 January 2019),
- 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 Company estimates that the application of IFRS 16 „Leases” may, to some extent, increase both its non-current assets and its financial liabilities. At the same time, positive impact on operating result and negative impact on the result from financing activities are expected. These changes are, however, to offset so that the implementation of IFRS 16 will not bear any material impact on Company’s net result. 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.

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 Company 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 financial statements of the Company.

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

In the period covered by the report for the Company applied for the first time IFRS 15 „Revenue from Contracts with Customers” and Amendments to IFRS 15 – “Effective date of IFRS 15”. The Company decided to apply the standard retrospectively with a total impact of the first application reported as at that day. According to the best estimations of the Company early application of IFRS 15 did not have any material impact on the previous years’ financial statements. That is why as at 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 financial statements of the Company for the financial year 2016, published on 21 March 2017.

### **1.3. Translation of selected financial data into euro**

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

- individual asset and liability 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 and liability 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.

#### 1.4. 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.

	31 March 2017	31 December 2016	31 March 2016
	in PLN thousand		
<b>Cash recognised in the statement of financial position</b>	<b>1 615 479</b>	<b>2 272 110</b>	<b>1 696 070</b>
Cash and cash equivalents of restricted use	(28 802)	(32 564)	(40 519)
<b>Cash recognised in the statement of cash flow</b>	<b>1 586 677</b>	<b>2 239 546</b>	<b>1 655 551</b>

#### 1.5. 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 31 March 2017 the excess of the current liabilities over the current assets amounted to PLN 231 215 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 31 March 2017 amounted to PLN 519 022 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.

## 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 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	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>

On 31 March 2017 Valivala Holdings B.V. sold 1 000 000 shares of Budimex SA decreasing its share from 59.06 % to 55.14%. Those shares were acquired by Nationale - Nederlanden OFE that increased its share in issued capital of Budimex SA to 5.39%.

### **3. Descriptions of factors and events which had a material effect on the financial result of the Company for the first quarter of 2017**

#### **3.1. Business operation of the Company in the I 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 period of three months of 2017 Budimex SA earned sales revenue in the amount of PLN 940 517 thousand and in the comparative period of the year 2016, sales revenue amounted to PLN 883 401 thousand giving increase by 6.47%

Gross profit on sales for the 3-month period of 2017 amounted to PLN 133 722 thousand and was by PLN 49 322 thousand (58.44%) higher than in the comparative period of the previous year.

Total amount of administrative and selling expenses in I quarter of 2017 was PLN 50 155 thousand, while in I quarter of 2016 amounted to PLN 47 923 thousand. The share of selling and administrative expenses in total sales was equal to 5.33% (in the first quarter of 2016 to 5.42%).

In I quarter of 2017, the result from the other operating activity, including financial result from derivative instruments, was positive and amounted to PLN 6 134 thousand (in I quarter of 2016 it amounted to PLN 3 365 thousand). Other operating income comprised mainly: revenue from received penalties and fines in the amount to PLN 3 775 thousand, released provisions for penalties and legal proceedings in the amount of PLN 410 thousand and PLN 1 760 thousand accordingly, reversal of receivable impairment write-downs in the amount of PLN 2 073 thousand, overdue liabilities write-off amounted to PLN 1 212 thousand and profit on valuation and realization of derivative instrument contracts of PLN 2 521 thousand.

Other operating expenses comprised mainly: impairment write-downs against doubtful debts in the amount of PLN 4 543 thousand, cost of paid penalties and compensation in the amount of PLN 749 thousand and cost of legal proceedings in the amount of PLN 338 thousand.

All valued derivative instrument contracts 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.

In I quarter of 2017 the operating profit amounted to PLN 89 701 thousand and was higher by PLN 49 859 thousand (125.14%) compared to the comparative period of the year 2016. In I quarter of 2017, the operating margin was equal to 9.54%, while in the comparative period of 2016 was equal to 4.51%.

In I quarter of 2017, the result from financial activity was positive and amounted to PLN 10 326 thousand and in the comparative period of 2016 the result was higher by PLN 24 650 thousand. Financial income, besides dividend income from related entities in the amount of PLN 11 686 thousand, comprised also interest of PLN 8 112 thousand (this amount is inclusive of PLN 498 thousand of interest from short-term bonds purchased in the I quarter 2017, presented in the statement of financial position in other financial assets in the amount of PLN 98 965 thousand). Financial expenses comprised mainly costs of bank guarantees and commissions in the amount of PLN 5 666, costs of long-term retention receivables and liabilities discounting of PLN 2 052 and exchange differences in the amount of PLN 1 266.

Profit before tax for the period of 3-months of 2017 amounted to PLN 100 027 thousand, while in the comparative period of 2016 amounted to PLN 74 818 thousand.

In the period of three months of 2017 the Company reported a net profit of PLN 82 500 thousand gaining net profit margin of 8.77% while in the same period of 2016 net profit margin was equal to 7.40%.

In the first quarter of 2017, the Company purchased or started to lease property, plant and equipment and intangible assets with a total value of PLN 6 376 thousand, of which plant and machinery accounted for PLN 3 264 thousand.

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

In the first quarter of 2017 and 2016 the revenue from contracts with customers by type of product or service was as follows:

Product/service type	amounts in PLN thousands	
	Sales of finished goods and services in the 3-month period ended:	
	31 March 2017	31 March 2016
Revenue from sale of construction and assembly services	934 679	878 809
Revenue from sale of other services	4 848	3 689
Revenue from sale of goods and materials	990	903
<b>Total sales of finished goods, goods for resale, raw materials and services</b>	<b>940 517</b>	<b>883 401</b>

In the first quarter of 2017 and 2016 the revenue from contracts with customers by geographic area was as follows:

Region	amounts in PLN thousands	
	Sales of finished goods and services in the 3-month period ended:	
	31 March 2017	31 March 2016
Poland	898 303	850 081
Germany	42 214	33 320
<b>Total sales of finished goods, goods for resale, raw materials and services</b>	<b>940 517</b>	<b>883 401</b>

In the first quarter of 2017 and 2016 the revenue from contracts with customers by type of construction was as follows:

Type of construction	amounts in PLN thousands	
	Sales of finished goods and services in the 3-month period ended:	
	31 March 2017	31 March 2016
Civil engineering (infrastructure)	403 264	454 003
General construction, of which:	531 415	424 806
- non-residential	357 309	273 071
- residential	174 106	151 735
Other	5 838	4 592
<b>Total sales of finished goods, goods for resale, raw materials and services</b>	<b>940 517</b>	<b>883 401</b>

### 3.3. Changes of estimates

#### Provisions for expected contract 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. As at 31 March 2017, the balance of the provision for contract losses amounted to PLN 379 887 thousand, while as at 31 December 2016 amounted to PLN 400 146 thousand. Due to that, in the 3-month period of 2017 the balance of provision decreased by PLN 20 259 thousand.

#### Provision for legal proceedings

The Company recognises provisions for legal proceedings when it is suited and the probability of an unfavourable court judgement is higher than the probability of a favourable 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 31 March 2017, the balance of the provision in this respect amounted to PLN 21 800 thousand, while as at 31 December 2016 amounted to PLN 23 565 thousand. Due to that, in the 3-month period of 2017 the balance of provision decreased by PLN 1 765 thousand.

**Provision for penalties**

The Company recognises provisions for penalties related to the realization of construction contracts. A provision is recognised 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 31 March 2017, the balance of the provision in this respect amounted to PLN 49 503 thousand, while as at 31 December 2016 amounted to PLN 49 784 thousand. Due to that, in the 3-month period of 2017 the balance of provision decreased by PLN 281 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 31 March 2017, the balance of the provision in this respect amounted to PLN 270 732 thousand, while as at 31 December 2016 amounted to PLN 264 956 thousand. Due to that, in the 3-month period of 2017 the balance of provision increased by PLN 5 776 thousand.

**Deferred tax asset and liability**

As at 31 March 2017, the balance of deferred tax asset (reducing by deferred tax liability) amounted to PLN 396 021 thousand, while as at 31 December 2016 amounted to PLN 400 046 thousand. Due to that, in the 3-month period of 2017 the balance of deferred tax asset decreased by PLN 4 025 thousand.

**Impairment write-downs against receivables and retentions for constructions contracts**

As at 31 March 2017, the balance of recognized impairment write-downs against receivables and retentions amounted to PLN 134 058 thousand, while as at 31 December 2016 amounted to PLN 132 039 thousand. In the 3-month period of 2017 the Company recognized impairment write-downs in the amount of PLN 4 543 thousand and reversed it increasing operating income in the amount of PLN 2 073 thousand and in the same time the Company utilized impairment write-downs in the amount of PLN 47 thousand and decreased it by PLN 404 thousand due to exchange differences.

**Impairment write-downs against inventory**

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

**3.4. Material changes of the legal proceedings pending in I quarter of 2017**

As at 31 March 2017, the total value of the proceedings relating to the Company's liabilities and claims accordingly amounted to PLN 878 148 thousand and PLN 135 866 thousand, and as at 31 December 2016 accordingly PLN 882 289 thousand and PLN 151 336 thousand. In the period of three months of 2017 there was no significant outcome of the proceedings that could have material impact on the financial situation of the Company.

**4. Other events for the I quarter of 2017**

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

On **15 February 2017**, Budimex SA began shares acquisition process of Elektromontaż-Poznań SA from minority interests shareholders. During the period from 15 February 2017 till 31 March 2017 Budimex SA concluded 623 share purchase agreements and based on them acquired 282 484 ordinary registered shares of "A" series (constituting in total 5.22% share in issued capital of Elektromontaż-Poznań SA). The total purchase price for above mentioned shares amounted to PLN 2 418 thousand. The share acquisition process has not been finalized yet.

On **24 April 2017** the Company signed loan agreement under which Budimex Nieruchomości Sp. z o.o. (subsidiary of Budimex SA) was provided with the loan to the maximum amount of PLN 100 000 thousand for financing developer projects. Pursuant to the agreement the loan will be paid in tranches and is to repaid till 29 June 2018. The loan interest rate was determined as 1M WIBOR plus margin. The loan is secured by mortgage established on land properties belonging to Budimex Nieruchomości Sp. z o.o.

**5. 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:

	amounts in PLN thousands			
	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
Subsidiary companies	84 583	66 033	20 423	27 723
Associates	182	341	127	118
Jointly controlled entities	1 257	1 920	730	660
Other related parties*	8	7	-	-
<b>Total</b>	<b>106 668</b>	<b>88 773</b>	<b>121 003</b>	<b>124 344</b>

	amounts in PLN thousands			
	Loans granted		Loans taken out	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016
Parent Company and related parties (the Ferrovia Group)	-	-	8 757	9 165
Subsidiary companies	6 647	6 570	-	-
Associates	9 163	9 163	-	-
<b>Total</b>	<b>15 810</b>	<b>15 733</b>	<b>8 757</b>	<b>9 165</b>

	amounts in PLN thousands			
	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 Ferrovia Group)	19	2 112	11 032	12 220
Subsidiary companies	72 447	68 059	21 764	6 631
Associates	315	156	128	40
Jointly controlled entities	174	(26)	-	-
<b>Total transactions with related parties</b>	<b>72 955</b>	<b>70 301</b>	<b>32 924</b>	<b>18 891</b>

	amounts in PLN thousands			
	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 Ferrovia Group)	-	-	15	18
Subsidiary companies	11 762	31 074	-	-
Associates	129	57	-	-
<b>Total transactions with related parties</b>	<b>11 891</b>	<b>31 131</b>	<b>15</b>	<b>18</b>

\*) 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.



**6. Contingent receivables and contingent liabilities**

	31 March 2017 (in PLN thousands)	31 December 2016 (in PLN thousands)
<b>Contingent receivables</b>		
<b>From related parties, of which:</b>	<b>15 654</b>	<b>15 654</b>
– guarantees and suretyships received	-	-
– bills of exchange received as security	5 016	5 016
– other contingent receivables	10 638	10 638
<b>From other entities</b>	<b>455 029</b>	<b>463 093</b>
– guarantees and suretyships received	446 795	454 607
– bills of exchange received as security	8 234	8 486
<b>Other contingent receivables</b>	<b>36 117</b>	<b>16 117</b>
<b>Total contingent receivables</b>	<b>506 800</b>	<b>494 864</b>
<b>Contingent liabilities</b>		
<b>To related parties, of which:</b>	<b>113 886</b>	<b>109 011</b>
– guarantees and suretyships issued	113 886	109 011
<b>To other entities, of which:</b>	<b>2 992 884</b>	<b>2 896 580</b>
– guarantees and suretyships issued	2 991 642	2 895 488
– bills of exchange issued as performance bond	1 242	1 092
<b>Other contingent liabilities</b>	<b>134 192</b>	<b>133 554</b>
<b>Total contingent liabilities</b>	<b>3 240 962</b>	<b>3 139 145</b>
<b>Total off-balance sheet items</b>	<b>(2 734 162)</b>	<b>(2 644 281)</b>

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

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

The bills of exchange issued represent a security for the settlement of liabilities towards the strategic suppliers of the Company, while the bills of exchange received and recognized under contingent assets (receivables) represent security for the repayment by the Company 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 134 192 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.

**President of the Management Board**

**Management Board Member**

**Dariusz Blocher**

**Marcin Węglowski**

Warsaw, 27 April 2017